



## BARACK OBAMA'S ECONOMIC AGENDA

### **Protect Homeownership and Crack Down on Mortgage Fraud**

**Ensure More Accountability in the Subprime Mortgage Industry:** The implosion of the subprime lending industry threatens to bring foreclosure to over two million households, including many families with children. Barack Obama has been closely monitoring this situation for years, and introduced comprehensive legislation over a year ago to fight mortgage fraud and protect consumers against abusive lending practices. Obama's STOP FRAUD Act provides the first federal definition of mortgage fraud, increases funding for federal and state law enforcement programs, creates new criminal penalties for mortgage professionals found guilty of fraud, and requires industry insiders to report suspicious activity. This bill also provides counseling to homeowners and tenants to avoid foreclosures. Finally, Obama's bill requires the Government Accountability Office to evaluate and report to Congress on various state lending practices so that state regulations that undermine consumer's rights can be identified and hopefully eliminated.

**Mandate Accurate Loan Disclosure:** Today's subprime mortgage problem stems in large part from the lack of easy-to-understand information that borrowers receive from mortgage brokers. As president, Barack Obama will enact laws to ensure that all prospective homebuyers have access to accurate and complete information about their mortgage options. Obama will 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 individuals to easily compare various mortgage products and understand the full cost of the loan. The HOME score would also help borrowers understand their long-term obligations and would be required to include mandatory taxes and insurance.

**Create Fund to Help Homeowners Avoid Foreclosures:** In addition to taking important steps to prevent mortgage fraud from occurring in the future, Barack Obama will establish policies to help Americans currently facing foreclosure through no fault of their own. For instance, in communities where there are many foreclosures property values of innocent homeowners are often also negatively impacted, driving them toward foreclosure, too.

Obama will create a fund to help people refinance their mortgages and provide comprehensive supports to innocent homeowners. The fund will also assist individuals who purchased homes that are simply too expensive for their income levels by helping to sell their homes. The fund will help offset costs of selling a home, including helping low-income borrowers get additional time and support to pay back any losses from the sale of their home and waiving certain federal, state and local income taxes that result from an individual selling their home to avoid foreclosure. These steps will ensure that individuals who have to sell their homes will be able to quickly regain stable financial footing. The fund will be partially paid for by Obama's increased penalties on lenders who acted irresponsibly and committed fraud.

**Close Bankruptcy Loophole for Mortgage Companies:** Barack Obama strongly opposed the 2005 bankruptcy bill, which is expected to have serious effects on low and middle-income borrowers of subprime mortgages. As president, Obama will work to eliminate the federal bankruptcy law's Chapter 13 provision that prevents bankruptcy courts from modifying an individual's mortgage payments. This forces individuals who

seek bankruptcy protection to continue paying the full amount of their existing mortgage plans. This provision, which provides unique protection to the mortgage industry, places the interests of big lenders over than of low and middle-income Americans. Obama believes that the subprime mortgage industry, which has engaged in dangerous and sometimes unscrupulous business practices, should not be shielded by outdated federal law.

**Create a Universal Mortgage Credit:** The tax code is supposed to encourage home ownership with a mortgage interest deduction, but it goes only to people who itemize their tax deductions. Like so much in our tax code, this tilts the scales toward the well-off. The current mortgage interest deduction excludes nearly two-thirds of Americans who do not itemize their taxes. Barack Obama will ensure that anyone with a mortgage, not just the well-off, can take advantage of this tax incentive for homeownership by creating a universal mortgage credit. This 10 percent credit will benefit an additional 10 million homeowners, the majority of whom earn less than \$50,000 per year. Non-itemizers will be eligible for this refundable credit, which will provide the average recipient with approximately \$500 per year in tax savings.

### **Provide Middle Class Americans Tax Relief**

**Provide a Tax Cut for Working Families:** Barack Obama will restore fairness to the tax code and provide 150 million workers the tax relief they deserve. Obama will create a new “Making Work Pay” tax credit of up to \$500 per person, or \$1,000 per working family. This refundable income tax credit will provide direct relief to American families who face the regressive payroll tax system. It will offset the payroll tax on the first \$8,100 of their earnings while still preserving the important principle of a dedicated revenue source for Social Security. The “Making Work Pay” tax credit will completely eliminate income taxes for 10 million Americans. The tax credit will also provide relief to self-employed small business owners who struggle to pay both the employee and employer portion of the payroll tax. The “Making Work Pay” tax credit offsets some of this self-employment tax as well.

**Simplify Tax Filings for Middle Class Americans:** The Internal Revenue Service (IRS) estimated in 2004 that it took more than 28 hours for an individual to complete his/her tax filing, and that half of the taxpayers filing the “easy” forms ended up paying a tax preparer to do it for them. Barack Obama will dramatically simplify tax filings so that millions of Americans will be able to do their taxes in less than 5 minutes. Currently, the IRS receives Americans’ financial information directly from employers and banks. Obama will ensure that the IRS uses this information to give taxpayers the option of a pre-filled tax forms to verify, sign and return to the IRS or online. This will eliminate the need for Americans to hire expensive tax preparers and to gather information that the federal government already has on file. Experts estimate that the Obama proposal will save Americans up to 200 million total hours of work and aggravation and up to \$2 billion in tax preparer fees.

**Create the American Opportunity Tax Credit:** Barack Obama will make college affordable for all Americans by creating a new 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 by making the tax credit fully refundable, Obama’s credit will help low-income families that need it the most. 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 at the time that tuition is due, rather than a year or more later when tax returns are filed.

**Expand the Child and Dependent Care Tax Credit:** The Child and Dependent Care Tax Credit provides too little relief to families that struggle to afford child care expenses. Currently the credit only covers up to 35 percent of the first \$3,000 of child care expenses a family incurs for one child and the first \$6,000 for a family with two or more children. And the credit is not refundable, which means that upper-income families disproportionately benefit while families who make under \$50,000 a year receive less than a third of the tax credit. Barack Obama will reform the Child and Dependent Care Tax Credit by making it refundable and allowing low-income families to receive up to a 50 percent credit for their child care expenses. Coupled with

Obama's "Making Work Pay" tax credit, this proposal will help put more money directly in the pockets of hardworking low and middle-income parents.

### **Strengthen Retirement Security**

**Eliminate Income Taxes for Seniors Making Less Than \$50,000.** Since the New Deal we've had a basic understanding in America: If you work hard and pay into the system, you've earned the right to a secure retirement. But too many seniors aren't getting that security, even though they've held up their end of the bargain. Lower and middle income seniors are struggling as their expenses on health and energy skyrocket while their incomes do not keep pace. This strain has been greater since 1993, when taxes on social security benefits were raised. Millions of seniors saw their net benefits go down.

Seniors also had to take on the added strain – and sometimes cost – of filing a complicated tax return. And after going through all of these complicated calculations, many seniors find that they owe little or no tax, meaning that all of the hassle was for naught.

Barack Obama will eliminate all income taxation of seniors making less than \$50,000 per year. This will provide an immediate tax cut averaging \$1,400 to 7 million seniors and relieve millions from the burden of filing tax returns. For millions of seniors, this will eliminate the need to hire a tax preparer, resulting in even larger savings.

**Create Automatic Workplace Pensions:** Currently, 75 million working Americans – roughly half the workforce – lack employer-based retirement plans. Even when workers are given the option of joining employer-based plans, many do not take up the option because it requires considerable work to research plans and investment portfolios, and enroll in the plan. Barack 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 by signing a written waiver. Even after enrollment, employees will retain the right to change their savings levels, reallocate investment portfolios or end contributions to the account. Obama's plan will give options to the self-employed and new small businesses to access new easy-to-enroll savings plans and direct the IRS to deposit tax refunds into those savings plans for people who choose to save some of their refunds. Under the Obama plan when employees change jobs, their savings will be automatically rolled over into the new employer's system to ensure continued savings. 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.

**Expand Retirement Savings Incentives for Working Families:** Barack Obama will ensure savings incentives are fair to all workers by creating a generous savings match for low and middle-income Americans. Obama will expand the existing Savers Credit to match 50 percent of the first \$1,000 of savings for families that earn under \$75,000, and he will make the tax credit refundable. To help ensure that this proposal actually strengthens retirement investments, the savings match will be automatically deposited into designated personal accounts by using the account information listed on IRS tax filings. Coupled with the automatic workplace pension plan, this proposal will stimulate tens of millions of new Americans to invest for retirement. Over 80 percent of the savings incentives will go to new savers, and 75 percent of people eligible for the incentives who are expected to participate in the new program do not currently save.

### **Address Predatory Credit Card Practices**

**Create a Credit Card Rating System to Improve Disclosure:** Barack Obama will create a credit card rating system, modeled on five-star systems used for other consumer products, to 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. The FTC will test for a set of credit card features that are deemed the most dangerous for consumers, including the underwriting standards used to issue

the card, the card's interest rate spread between the introductory rate and the maximum rate allowed, and transaction fees. The FTC will assign ratings so that consumers can easily understand if a credit card agreement meets or exceeds standards of safety. 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.

**Establish a Credit Card Bill of Rights to Protect Consumers:** Credit cards could turn into the next subprime market crisis, and New Hampshire families have among the highest personal debt levels in the country. In addition to being able to easily understand how risky a given credit card is, every American should have a uniform set of rights while dealing with credit card companies, no matter their financial status or credit history. To protect those rights, Barack Obama will require the Federal Trade Commission to analyze credit card company compliance with these basic rights, and provide the Department of Justice with the full authority to investigate and penalize non-compliant companies. The Obama credit card bill of rights will:

- **Ban Unilateral Changes:** Currently, credit card companies can unilaterally change the terms of a credit card agreement at any time for any reason with only a 15-day notice to the consumer. Barack Obama will ban these unilateral changes in credit card agreements unless companies have obtained written consent from consumers and have followed the rules and terms of the agreement.
- **Apply Interest Rate Increases Only to Future Debt:** Credit card companies often apply increased interest rates to both new debt incurred by the cardholder, as well as previously incurred debt. Barack Obama will require increased interest rates to apply only to future credit card debt, and not to debt incurred prior to the increase.
- **Prohibit Interest on Fees:** Credit card companies often charge interest on transaction fees, such as late fees or paying a bill by telephone. Barack Obama will prohibit credit card issuers from charging interest on transaction fees.
- **Prohibit "Universal Defaults":** "Universal defaults" are a practice in which a credit card company raises an individual's interest rate based on failure to pay a different creditor on time. Barack Obama will prohibit this practice.
- **Require Prompt and Fair Crediting of Cardholder Payments:** Barack Obama will require credit card issuers to apply payments first to the credit card balance with the highest rate of interest and to minimize finance charges.

### Stimulate Economic Growth

**Fix Our Health Care Crisis:** Nearly 47 million Americans lack health coverage today. In addition to the social costs of worse health, the health care crisis makes many American firms less competitive in global markets, and exacerbates our nation's long-term fiscal imbalances. Barack Obama is committed to signing universal health legislation by the end of his first term in office that ensures all Americans have high-quality, affordable health care. His plan will save a typical American family up to \$2,500 a year by providing affordable, comprehensive, and portable health coverage for every American and modernizing the U.S. health care system to contain spiraling health care costs and improve the quality of patient care.

**Invest in U.S. Manufacturing:** The Obama comprehensive energy independence and climate change plan not only help strengthen America's energy security and tackle global climate change, but it will also make strategic investments in American workers and American businesses to create millions of new jobs. The Obama plan will invest in America's highly-skilled manufacturing workforce and manufacturing centers to ensure that American workers have the skills and tools they need to pioneer the first wave of green technologies that will be in high demand throughout the world. Obama will also provide specific tax assistance and loan guarantees to the domestic auto industry to ensure that new fuel-efficient cars and trucks are build in the U.S. with American

workers.

**Create New Job Training Programs for Clean Technologies:** The Obama plan will increase funding for federal workforce training programs and direct these programs to incorporate green technologies training, such as advanced manufacturing and weatherization training, into their efforts to help Americans find and retain stable, high-paying jobs. Obama will also create an energy-focused youth jobs program to invest in disconnected and disadvantaged youth. This program will provide youth participants with energy efficiency and environmental service opportunities to improve the energy efficiency of homes and buildings in their communities, while also providing them with practical skills and experience in important career fields of expected high-growth employment. Participants will not only be able to use their training to find new jobs, but also build skills that will help them move up the career ladder over time.

**Boost the Renewable Energy Sector and Create New Jobs:** The Obama plan will create new federal policies, and expand existing ones, that have been proven to create new American jobs. Obama will create a federal Renewable Portfolio Standard (RPS) that will require 25% of American electricity be derived from renewable sources by 2025. This measure, which builds off what many states across the nation have enacted, has the potential to create hundreds of thousands of new jobs on its own. Barack Obama will also extend the federal Production Tax Credit (PTC), a measure which has been used successfully for years by American farmers and investors to increase renewable energy production and create new local jobs.

The Obama plan will also enact bold new energy efficiency goals for buildings and appliances, which will both reduce middle class American's monthly electricity bills and help jumpstart the construction and manufacturing industries. Additionally, the Obama plan will provide tax credits for locally-owned biofuel refineries – which have already started to strengthen the economic vitality of rural America.

**Fight for Fair Trade:** At 7 percent of Gross Domestic Product, our trade deficit has never been higher. Barack Obama will fight for a trade policy that opens up foreign markets to support good American jobs. He 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. Obama will also pressure the World Trade Organization to enforce trade agreements and stop countries from continuing unfair government subsidies to foreign exporters and nontariff barriers on U.S. exports. Obama will fight for stronger protections for U.S. intellectual property, and – in the case of China in particular – an end to an artificially devalued currency that puts U.S. companies at a perpetual disadvantage.

**Invest in the Sciences:** Barack Obama supports doubling federal funding for basic research, changing the posture of our federal government from being one of the most anti-science administrations in American history to one that embraces science and technology. This will foster home-grown innovation, help ensure the competitiveness of US technology-based businesses, and ensure that 21<sup>st</sup> century jobs can and will grow in America. As a share of the Gross Domestic Product, American federal investment in the physical sciences and engineering research has dropped by half since 1970. Yet, it often has been federally-supported basic research that has generated the innovation to create markets and drive economic growth. For example, one recent report demonstrated how federally supported research in fiber optics and lasers helped spur the telecommunications revolution.

**Make the R&D Tax Credit Permanent:** Barack Obama wants investments in a skilled research and development workforce and technology infrastructure to be supported here in America so that American workers and communities will benefit. Obama wants to make the Research and Development tax credit permanent so that firms can rely on it when making decisions to invest in domestic R&D over multi-year timeframes.

**Deploy Next-Generation Broadband:** Barack Obama believes that America should lead the world in

broadband penetration and Internet access. As a country, we have ensured that every American has access to telephone service and electricity, regardless of economic status, and Obama will do likewise for broadband Internet access. Full broadband penetration can enrich democratic discourse, enhance competition, provide economic growth, and bring significant consumer benefits. Moreover, improving our infrastructure will foster competitive markets for Internet access and services that ride on that infrastructure. Obama believes we can get true broadband to every community in America through a combination of reform of the Universal Service Fund, better use of the nation's wireless spectrum, promotion of next-generation facilities, technologies and applications, and new tax and loan incentives.

**Improve Transparency in the Market**

**Investigate Potential Conflict of Interest between Credit Rating Agencies and Financial Institutions:**

Credit agencies are paid by the issuers of securities, not by the buyers of securities, which creates a potential conflict of interest in favor of issuing strong securities ratings. This problem was illustrated in the subprime market crisis in which credit rating agencies strongly rated subprime mortgage securities even as there were significant indications of large numbers of foreclosures and a weakening housing market. Barack Obama supports an immediate investigation into the ratings agencies and their relationships to securities' issuers, similar to the investigation the EU has recently announced.