

2008 -- S 2252

LC01483

STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2008

SENATE RESOLUTION

MEMORIALIZING THE UNITED STATES CONGRESS TO TAKE EMERGENCY ACTION  
TO PROTECT HOMEOWNERS AND BANKS

Introduced By: Senators Pichardo, Metts, Issa, and Miller

Date Introduced: February 07, 2008

Referred To: Senate Constitutional & Regulatory Issues

1           WHEREAS, The onrushing financial crisis involving home mortgages, debt instruments  
2 of all types and the banking system of the United States, threatens to set off an economic collapse  
3 worse than the Great Depression of the 1930s; and

4           WHEREAS, Millions of Americans, including residents of the state of Rhode Island, are  
5 faced with foreclosure and loss of their homes over the coming months; and

6           WHEREAS, The hedge funds which spread this financial collapse among markets  
7 worldwide, by dominating speculation in all those markets, are now going bankrupt and  
8 demanding government bailout of their securities and derivatives, and the nominal value of the  
9 derivatives based on mortgages alone is the size of the combined GDP of the nations of the  
10 world; and

11           WHEREAS, This financial crisis threatens the integrity of both state and federally  
12 chartered banks, as typified by the run on deposits of Countrywide Financial Corporation in  
13 California on August 16, which could wipe out the life savings of too many American people, and  
14 drastically undermine the economic stability of our states and cities; and

15           WHEREAS, Under similar circumstances in the 1930s, President Franklin D. Roosevelt  
16 successfully intervened to protect banks and homeowners, addressing Congress with a declaration  
17 of national policy" on April 13, 1933, which stated "that the broad interests of the Nation require  
18 that special safeguards should be thrown around home ownership as a guarantee of social and  
19 economic stability, and that to protect homeowners from inequitable enforced liquidation in a

1 time of general distress is a proper concern of the Government"; now, therefore be it

2 RESOLVED, That this Senate of the State of Rhode Island and Providence Plantations  
3 hereby calls upon the United States Congress to take emergency action in the form of a  
4 Homeowners and Bank Protection Act of 2007, as proposed by an economist, specifically to:

5 1. Establish a federal agency to place federal and state chartered banks under protection,  
6 freezing all existing home mortgages for a period of time, adjusting mortgage values to fair  
7 prices, restructuring existing mortgages at appropriate interest rates, and writing off speculative  
8 debt obligations of mortgage-backed securities, financial derivatives and other forms of financial  
9 pyramid schemes that have brought the banking system to the point of bankruptcy;

10 2. Declare a moratorium on all home foreclosures for the duration of the transitional  
11 period, allowing families to retain their homes. Monthly payment, the equivalent of "rental  
12 payments," shall be made to designated banks, which can use the funds as collateral for normal  
13 lending practices, thus recapitalizing the banking system. These affordable monthly payments  
14 will be factored into new mortgages, reflecting the orderly deflating of the housing bubble, the  
15 establishment of appropriate property valuations, and reduced fixed mortgage interest rates.  
16 While this shakeout may take several years to achieve, in the interim period no homeowner shall  
17 be evicted from his or her property, and the federal and state chartered banks shall be protected,  
18 so that they can resume their traditional functions, serving local communities, and facilitating  
19 credit for investment in productive industries, agriculture, infrastructure, etc.;

20 3. Authorize governors of the several states to assume the administrative responsibilities  
21 for implementing the program, including the "rental" assessments to designated banks, with the  
22 federal government providing the necessary credits and guarantees to assure the successful  
23 transition; and be it further

24 RESOLVED, That the Secretary of State be and he hereby is authorized and directed to  
25 transmit a duly certified copy of this resolution to each member of the Rhode Island  
26 Congressional Delegation, and also to the President of the United States, for immediate action.

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