



Congress of the United States  
House of Representatives

September 26, 2008

The Honorable Nancy Pelosi  
Speaker of the House  
H-232, U.S. Capitol  
Washington, D.C. 20515

Madame Speaker:

As our discussion ended last night, we agreed to continue talking about how to best solve this economic crisis. Like you, House Republicans and I believe we must address this crisis quickly and in a way that protects the interests of families, seniors, small businesses, and all taxpayers. As you know, this process is not about faceless executives on Wall Street, but about keeping families in their homes, safeguarding their retirement security, college savings, and bank accounts, and protecting their jobs.

Over the last week, we have frequently discussed Secretary Paulson's proposal, and I have repeatedly expressed the need for improvements on behalf of myself and my Republican colleagues. Our staffs have also been in regular contact. To that end, Financial Services Committee Ranking Member Spencer Bachus (R-AL) was tasked by House Republicans to engage in discussions with Chairman Barney Frank (D-MA) and Chairman Chris Dodd (D-CT) and report back to our Conference on the progress of those negotiations before a final deal could be made. Yet Chairman Frank and Chairman Dodd, on several occasions over the last several days, announced that a bipartisan deal was at hand even though the reservations about the underlying proposal I had expressed to you had not been addressed. Each time such announcements were made, or even rumored, I or my staff made it clear to media and to your staff that any such deal did not include House Republicans.

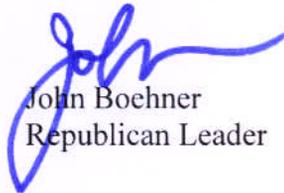
As we demonstrated at the beginning of this year when we crafted a timely agreement on the economic stimulus package, a bipartisan response to our nation's priorities is never out of reach. And I believe the same holds true at this hour. House Republicans are prepared to stay in Washington to forge an agreement on a proposal that reflects the core free-market, pro-taxpayer principles of our Party.

With that in mind, earlier this week, with your knowledge, I directed our Chief Deputy Whip Eric Cantor (R-VA) to lead a working group of House Republicans to develop a package of ideas to move this process forward. His working group represented a broad cross-section of House Republicans – including both moderate and conservative members – and their goal was to develop ideas worthy of support on both sides of the aisle. We have discussed some of these

ideas, and I would like to reiterate that I believe they should be given the consideration they deserve as our economic rescue discussions continue. A brief overview of the working group's blueprint is included with this letter.

Madam Speaker, we owe it to all those with a stake in this process to continue our discussions until we arrive at an agreement that is acceptable on both sides of the aisle – and more importantly, one that serves the interests of American taxpayers. That is why I ask you and your Democratic colleagues to give the House Republican working group's proposals serious consideration as this process moves forward. If such consideration is not given, a large majority of Republicans cannot – and will not – support Sec. Paulson's plan. In the interest of the men and women we represent in Congress, I hope it does not come to that conclusion. I look forward to your timely response and to continuing our work together on an economic rescue package worthy of all of our support.

Sincerely,

A handwritten signature in blue ink, appearing to read "John", with a stylized flourish extending to the right.

John Boehner  
Republican Leader

## **HOUSE REPUBLICAN WORKING GROUP – ECONOMIC RESCUE PRINCIPLES**

### **I. Wall Street – Not Taxpayers – Should Fund the Recovery**

The most troubling part of Sec. Paulson's plan is that it relies wholly on taxpayer funds. House Republicans believe that rather than providing taxpayer funded purchases of frozen mortgage assets to solve this problem, any rescue package should adopt a plan to insure mortgage backed securities (MBS) through payment of insurance premiums.

Currently, the federal government insures approximately half of all MBS and can insure the rest of those still outstanding. However, rather than taxpayers funding the insurance, the holders of these assets should pay for it. The working group's proposal would direct the Treasury Department to design a system to charge premiums to the holders of MBS to fully finance this insurance.

### **II. Private Capital – Not Tax Dollars – Should Be Injected Into Financial Markets**

Instead of injecting taxpayer funds into the market to produce liquidity, private capital can be drawn into the market by removing burdensome regulatory and tax barriers that are currently blocking private capital formation. In short, too much private capital is sitting on the sidelines during this crisis, and it is well past time to unleash it.

Temporary tax relief provisions can help companies free up capital to maintain operations, create jobs, and lend to one another. In addition, the working group recommends a temporary suspension of dividend payments by financial institutions and other regulatory measures to address the problems surrounding private capital liquidity.

### **III. Immediate Transparency, Oversight, and Market Reform**

Both Republicans and Democrats have made clear that they believe there is not a strong enough oversight component in Sec. Paulson's plan. The House Republican working group's proposal addresses this flaw. To begin, the plan would require participating firms to disclose to the Treasury Department the value of their mortgage assets on their books, the value of any private bids within the last year for such assets, and their last audit report. Additional safeguards include:

- To limit federal exposure for high risk loans, the working group's recommendations mandate that Government Sponsored Entities no longer securitize any unsound mortgages.
- The plan would call on the Securities Exchange Commission (SEC) to audit reports of failed companies to ensure that the financial standing of these troubled companies was accurately portrayed.
- The blueprint would guarantee that Wall Street executives do not benefit from taxpayer funding.
- The proposal would call on the SEC to review the performance of the credit rating agencies and their ability to accurately reflect the risks of these failed investment securities.
- The working group recommends that Congress create a blue ribbon panel with representatives of Treasury, SEC, and the Federal Reserve Board to make recommendations to Congress for reforms of the financial sector by January 1, 2009.