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H. RES. 365

Expressing the sense of the House of Representatives that Congress should cut the United States' true debt burden by reducing home mortgage balances, forgiving student loans, and bringing down overall personal debt.

IN THE HOUSE OF REPRESENTATIVES

JULY 22, 2011

Mr. CLARKE of Michigan submitted the following resolution; which was referred to the Committee on Financial Services, and in addition to the Committee on Education and the Workforce, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

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RESOLUTION

Expressing the sense of the House of Representatives that Congress should cut the United States' true debt burden by reducing home mortgage balances, forgiving student loans, and bringing down overall personal debt.

Whereas the threat of default stands to exacerbate an already dire situation for citizens of the United States with regard to personal debt by increasing the cost of debt service and future borrowing;

Whereas the average person in the United States, much like the Federal Government, owes more in monthly bills than he or she has on hand, but, unlike the Federal Government, individuals and households who suffered employment setbacks during the financial crisis face extraordinarily high costs to finance their debt;

Whereas while 30-year Treasury bond yields have hovered around 4.3 percent, some credit card borrowers who have missed payments face interest rates of up to 29 percent, rates that would only go up should the government default;

Whereas average borrowers in the United States often face terms that are more severe than market conditions warrant, and additional uncertainty brought on by approaching the debt ceiling or actual default are likely to increase the mark-up that lenders demand;

Whereas according to Nobel Prize-winning Economist Joseph Stiglitz, the credit card debt situation faced by many United States citizens is similar to ‘‘partial indentured servitude’’, where ‘‘an individual with debts equal to 100% of his or her income could be forced to hand over to the bank 25% of his gross, pre-tax income for the rest of his life, because the bank could add on 30% interest each year to what a person owed.’’;

Whereas in 2009, nearly half of people in the United States had credit card debt, with a median balance of $3,300;

Whereas credit card interest payments alone now total approximately $94,000,000,000 per year;

Whereas in 2011, the average borrower graduating from a 4-year college left school with roughly $23,000 of student debt, but compounding this burden, only 56 percent of 2010 graduates were able to find work following completion of their studies according to a study by the John J. Heldrich Center for Workforce Development at Rutgers University;

Whereas in 2009, average mortgage payments surpassed $1,000 per month;

Whereas as of March 2011, 2,400,000 United States homeowners with mortgages, or 27.9 of the total population of home mortgagors, had less than 5 percent equity on their homes;

Whereas if home prices fall between 5 and 10 percent by the end of 2011, as some forecast, nearly one-third of United States homeowners with mortgages would owe more on their homes than the properties are worth;

Whereas Mark Fleming, the chief economist for the business analytics firm CoreLogic, has stated that ''Negative equity holds millions of borrowers captive in their homes, unable to move or sell their properties. Until the high level of negative equity begins to recede, the housing and mortgage finance markets will remain very sluggish.'';

Whereas increases in credit card interest rates have the same negative impact on consumer demand for goods and services as price increases, creating a drag on the economy that is made worse by uncertainty over the debt ceiling;

Whereas student loans, mortgage debt, and credit card debt create a vicious economic cycle as consumers avoid spending on account of their debts and businesses forego hiring because they lack customers;

Whereas reducing household debt and increasing savings directly ameliorates the United States' trade deficit;

Whereas when United States citizens save more, they are able to finance United States imports rather than borrowing from abroad;

Whereas given that savings finance investment and that investment drives economic growth, increasing the savings rate should be a priority;

Whereas under bankruptcy rules, corporations are allowed to write down the debt restructure because it is essential to keep them functioning;

Whereas corporations are deemed to be systemically important to the United States economy and keeping families in their homes is also systematically important;

Whereas evictions have destructive consequences not only for families but also for neighbors, municipal governments, the environment, and the fiscal health of the United States;

Whereas high personal savings economies tend to be high growth economies;

Whereas the experiences of the ‘‘Asian Tiger’’ economies (South Korea, Singapore, Taiwan, and Hong Kong) during the late 20th century or China in the present period illustrate this notion;

Whereas just as importantly, high savings countries tend to be more economically resilient; and

Whereas after suffering the lessons of the Financial Crisis of 1997, East Asian countries’ savings levels skyrocketed, which is widely cited as a reason they have suffered minimal impacts from the recent financial crisis: Now, therefore, be it

Resolved, That it is the sense of the House of Representatives that—

(1) the high rate of personal debt is an urgent national concern for the health of the United States

economy, on par with the urgency of addressing the Federal debt and debt limit;

(2) Congress should cut the United States' true debt burden by reducing home mortgage balances, forgiving student loans, and bringing down overall personal debt;

(3) having the Federal Government avoid default and reducing the Federal debt will not make the United States stronger alone, but household debt should be cut too in order to make the United States strong; and

(4) helping citizens of the United States become free of debt to promote personal financial security and to strengthen the Nation's economy should be a top priority of the United States.

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