I offer my thanks and best wishes to WAYNE ALLARD and his wife Joan as they turn to the next chapter of their productive lives.

LARRY CRAIG

I rise today to pay tribute to my colleague from Idaho, Senator LARRY CRAIG. As the chairman of the Armed Services Committee, I can particularly appreciate the vital role played by the Veterans' Affairs Committee. LARRY served as the chairman of that important committee from 2005 to 2007, and the ranking member since then. During his tenure, Veterans' Affairs has been challenged by two ongoing wars and, more recently, by public revelations of serious deficiencies in our system for caring for our wounded warriors.

Helping our Nation's wounded warriors is a cause to which LARRY CRAIG is profoundly committed. He has fought for our deserving and brave veterans, introducing bills to improve educational opportunities and to expand benefits for traumatic injuries. He helped make possible a rare joint hearing between the Veterans' Affairs Committee and the Armed Services Committee to look into the situation at Walter Reed and help formulate the wounded warrior legislation which passed through the Senate with overwhelming bipartisan support as part of the Defense Authorization Act for fiscal year 2008.

While LARRY CRAIG and I often been on opposite sides of policy debates, I admire his commitment to his views and to the people of Idaho. In addition to the Veterans' Affairs Committee, Senator CRAIG serves as the ranking member on the Subcommittees on Interior and Related Agencies, and Superfund and Environmental Health, legislative areas of great concern to the citizens of Boise, the ranchers of Midvale and the skiers of Sun Valley. And today, I join my colleagues in thanking LARRY CRAIG for his service to his State and his country, and I wish him and Suzanne the very best in the future.

EMERGENCY ECONOMIC STABILITY ACT

Mr. KYL. Mr. President, I know that many of my fellow Members are concerned about the scale of this package. And while I agree that more private sector involvement would be preferable to placing hundreds of billions of taxpayer dollars at risk, I think that the enormity of the current financial crisis requires the government to act. I believe that the legislation before us will establish the appropriate conditions for financial markets to begin repricing mortgage related investments like mortgage backed securities, MBS, collateralized debt obligations, CDOs, and whole loans in order to provide liquidity to solvent financial institutions. Then, these institutions can begin trading again so that we can avoid a complete collapse of our nation's credit markets and return to normal.

Impaired loans are now being held on the balance sheets of banks and other financial institutions as mortgage backed securities, MBS. Uncertainty surrounding the value of the underlying mortgages has made it virtually impossible to find an efficiently functioning market for these securities or rationally value them.

The uncertainty surrounding the value of these assets has caused banks and other financial institutions to gradually withdraw from the market and refrain from making new loans to firms or individuals in order to preserve their capital. Unfortunately, the underlying value of many of these securities is high but firms lack confidence to reengage in the market.

The Treasury's plan intends to make a market for these securities, allow them to be priced so that trading can continue and reinitialize financial intermediation.

Treasury's "troubled asset relief program" will purchase illiquid mortgage assets directly using a reverse auction to purchase the impaired assets in order to create a market and establish a price for the assets. In a reverse auction the role of buyer and seller are reversed. In a standard auction, buyers compete by make bids for a security and the best offer is taken, thereby establishing a price. This price discovery process is important because it reveals information about what the buyers and sellers think a security is worth. A reverse auction would also be better than Treasury trying to assign a price without the input of the seller. It would also hopefully prevent Treasury from paying too high a price.

The Secretary of Treasury, Chairman Bernanke, large national financial institutions, small Arizona community banks and credit unions have all warned me of the serious implications of not passing this legislation and the impact it will have on the lives of everyday Americans.

Sound financial institutions, manufacturers and small businesses are all struggling to find investors willing to provide them with cash to fund their operations. Instead, investors are irrationally selling their stocks and bonds regardless of whether or not the companies are making money and are instead hording cash, investing their money in government bonds and even gold.

If Congress fails to act, the consequences for Main Street will be severe. If banks are even willing to lend, mortgage loan interest rates will continue to rise making the purchase of a home less affordable. Major manufacturers won't be able to obtain affordable credit to purchase the raw materials and working capital that they need to stay in business. America's farmers won't be able to finance the large upfront costs associated with purchasing fertilizer and seed to plant their crops. Small businesses will not be able to get funding to extend credit to their own customers who wish to make every day purchases. Loans for college could dry up.

The stock market lost over a trillion dollars on Tuesday, reducing American wealth and individuals' retirement accounts. For the tens of thousands of dollars in reduced account balances, those in retirement or approaching retirement will be forced to contemplate accepting a lower standard of living in retirement or consider working longer.

One must remember that even though the plan contemplates the purchase of up to $700 billion in assets that the program is not likely to cost the taxpayer that much or even a significant portion of that amount.

According to CBO, "enacting the bill would likely entail some budgetary cost which would, however, be substantially smaller than $700 billion."

Why? Treasury will be borrowing money to buy assets, many of which do have value and are generating income. Most of the whole mortgages which underpin the MBS and CDOs Treasury will purchase have value because most Americans are current on their mortgage payments. In fact, 92 percent of mortgages are performing.

Any potential cost associated with the program is likely to be offset because Treasury can take advantage of our government's low financing costs and purchase MBS by borrowing at around 3.5 percent. The difference between the rate Treasury borrows funds at and the return on MBS will be profit which can be used to help finance the overall program.

Furthermore, like any good investor, the government will be buying securities at a relatively low price, likely below the securities' fair market value and holding the assets until their price rises.

The bill also includes a provision intended to protect against potential losses by requiring that firms selling troubled assets to the government provide warrants or senior debt instruments. The warrants would give the Treasury the right to buy stock in the future at a fixed price.

In fact, warrants were issued to the federal government as part of previous deals to provide lending to both Chrysler and America West Airlines, AWA. According to CBO, "AWA partially compensated the government for the loan guarantee by giving it warrants to buy as many as 18.8 million shares of the company's Class B common stock at an exercise price of $3 per share—the strike price—for a term of 10 years. Those warrants increase in value with the market price of AWA stock and thus provide the government with additional compensation if its guarantee allows the company to return to profitability. Similarly, Chrysler issued warrants to the government to purchase up to 14.4 million shares of Chrysler's common stock, also with a term of 10 years."

The Federal Government lost $85 million and $256 million on America West and Chrysler's actual loan guarantees,

respectively. However, the warrants gained in value making the Federal Government $80 million and $119 million, respectively ultimately reducing the overall cost of both loans to the taxpayer.

One final element of the plan protecting taxpayers requires that in 5 years, the President submit a proposal to Congress to recoup any projected taxpayer losses from those in the financial services industry that benefit from the program.

So as a result of these protections every dime we get back from asset sales, warrants or future recoupment will go to debt reduction.

Mr. KERRY. Mr. President, to protect and defend the economic health of our Nation and the security of the systems on which our prosperity depends, I am pleased that the Senate passed the Emergency Economic Stabilization Act last night. I call upon my colleagues in the House of Representatives to pass this legislation as soon as possible because I believe it will help restore confidence in our capital markets and our financial institutions. It will help our Nation avert serious economic dislocation that could have been the cost of inaction

I want to take this opportunity to thank Majority Leader REID, Senate Banking Committee Chairman DODD and Senate Finance Committee Chairman BAUCUS for their efforts to include critical modifications to the proposed plan by Treasury Secretary Paulson and Federal Reserve Chairman Bernanke. This legislation we are considering today includes provisions that will protect the taxpayer, limit executive compensation, provide critically needed assistance to homeowners, and provide strong congressional and judicial review procedures. Without their efforts, I do not believe we would have been able to pass this critically needed legislation.

Our Nation is facing its greatest economic crisis since the Great Depression. A series of financial institution failures and frozen credit markets have imperiled our economy. We need to take immediate action to restore confidence and help stop this threat and stabilize our financial system.

Every American family is concerned about the economic situation we face. They are already facing rising gas prices, food prices, health care costs and college tuition. Many are wondering: How will bailing out Wall Street firms help me? The answer is we have to bail out Wall Street to protect Main Street.

This will not be done without great expense to the taxpayers. However, I strongly believe that taking quick and decisive action is not only our best option it may be our only option. As we consider this extraordinary commitment on the part of the American taxpayer, we have to ask ourselves: What is the price of inaction?

The ripple effect of the collapse of Wall Street's major financial institutions could develop into an economic disaster sweeping across the country. The stark reality is that without massive Federal assistance, our financial system could collapse. Small businesses would be unable to obtain financing and jobs would vanish. Families would be unable to borrow for new homes or to send their children to college. Retirement funds could plummet. Those are the stakes.

The Emergency Economic Stabilization Act will provide up to $700 billion to the Secretary of the Treasury to buy mortgages and other assets from financial institutions. Instead of giving all the funds at once, as requested by Secretary Paulson, the legislation gives the Treasury only $250 billon immediately. The bill requires the President to certify that the additional $450 billion are required subject to congressional disapproval. It requires the Treasury to modify mortgage loans whenever possible to help keep families in their homes. It requires companies that sell bad assets to the Government to give taxpayers the opportunity to share in their future growth. This will help offset the costs of this program. Finally, it includes meaningful limits on both executive compensation and ''golden parachutes''. This will help insure that not one dime of taxpayer funds will be used to pay the salary of CEOs who have abused the public trust and played a role in developing the economic crisis we face.

American families must have confidence that the deposits they have in our banks are safe. Thanks to measures put in place during the Great Depression, deposits of up to $100,000 are guaranteed by the Federal Government. I am pleased this legislation temporarily raises the FDIC limit to $250,000. I think it will help small businesses, make our banking system more secure, and help restore public confidence in our financial system.

The Emergency Economic Stabilization Act of 2008 also contains an important provision that will help hundreds of community banks throughout the country. Prior to the Federal Housing Finance Agency placing Fannie Mae and Freddie Mac into conservatorship, many banks had invested in Fannie Mae and Freddie Mac preferred stock. Unfortunately, the value of these shares was essentially eliminated due to the Government's action. These investments—standard means for the banking industry and the Government-Sponsored enterprises to provide and raise capital—have always been viewed as a conservative investment by financial institutions.

These investments provided capital to Fannie and Freddie, and thus indirectly benefited the economy by helping Fannie and Freddie provide liquidity to the secondary mortgage market. Unfortunately, losses on these shares will have significant tax consequences for these banks, which will translate into fewer loans being made across the Nation.

Section 301 of the legislation provides targeted tax relief for all banks holding Fannie Mae and Freddie Mac preferred stock by allowing institutions to treat the losses on these securities as ordinary losses for tax purposes. This temporary change will provide a vital tax reduction against ordinary income and preserve a portion of the capital lost due to the Government's actions with regards to the Government-sponsored enterprises.

The bill is designed to give all banks—especially community banks—regardless of size or organizational structure, ordinary tax relief for these holdings. I encourage the Secretary of the Treasury to work with Congress and the banking industry to ensure that all institutions have access to this relief.

We have no guarantee that this program will fix this acute crisis. What we do know is that if Government does not step in to provide funding, we could hasten an economic meltdown.

After this plan is enacted into law, we must take bold action to revamp our regulatory practices, fix the derivatives market, offer an additional economic stimulus for businesses, provide liquidity for small businesses and provide real assistance to families bearing the weight of the crisis. This will be a long process.

I believe the moment has come to rethink the trend over the past generation toward deregulation of our financial institutions and capital markets. You can see it in the excessive use of derivatives to manage risk. You can see it in the reckless use of leverage by some financial institutions to finance ever riskier and more lucrative financial products. You can see it in our housing markets, where the concept of risk became our greatest undervalued asset. You can see it in the failure to require Fannie Mae and Freddie Mac to set aside the appropriate capital reserves. You can see it in the outrageous salaries that so many CEOs of troubled companies have earned in recent years which can be tied directly to the strategies they adopted that showed no respect for the risks they were taking with other people's money or to our Nation's economic future.

This was a perfect storm: irresponsible lending, irresponsible borrowing and a lack of basic oversight and effective regulation put millions of families in homes they could not afford. Too many Americans took unreasonable risks to buy a home when markets were booming. Too many financial institutions lowered their lending standards but didn't plan appropriately for increased risk. At the same time, some borrowers inflated their incomes and misrepresented themselves in order to buy expensive homes that they could not afford.

In 1994, I supported the Home Ownership and Equity Protection Act which gave the Federal Reserve the authority

to prohibit unfair and deceptive lending practices. It took the Federal Reserve 14 years to implement regulations to stop abusive and deceptive practices which helped cause the housing crisis.

Since 2000, I have been concerned about predatory lending and have supported legislation to stop the excesses that these lenders have too often hoodwinked homeowners into accepting. It stopped companies from imposing high-cost mortgages, included critical consumer disclosures, required creditors to assess the consumer's ability to pay, prohibited prepayment fees and penalties. This could have stopped many of the excesses we are paying for today from occurring in the first place. Unfortunately, this legislation did not receive any support from the other side.

The damage has been staggering. Five million homeowners are either in default or in foreclosure and 10,000 more join them in foreclosure every day. Some economists warn that the spike in foreclosures could lower home values by 30 percent—when even a 10 percent decline takes $2 trillion in wealth from American homeowners. The loans financing these homes are now frozen on the balance sheets of banks and other financial institutions, preventing them from providing new loans. Today we are living the consequences: an economy teetering on the edge.

It is obvious to every American that we need greater regulation of our mortgage markets and our lending practices. We must eliminate the unfair and deceptive practices that helped cause our current economic difficulties immediately.

Another crucial ingredient in today's crisis is the use of complex financial derivatives. These complex financial maneuvers—hidden from the view of most Americans—have quietly become a crucial part of managing risk in our economy. In May, the Bank for International Settlements estimated that the total value of derivative contracts was approximately $600 trillion. To put this speculation in context: that is 200 times larger than the Federal budget.

Derivatives are essentially bets on future economic behavior: financial contracts which can gain or lose value as the price of some underlying commodity, financial indicator or other variable changes. Unfortunately their rise to prominence in our economy was not matched with an increase in regulation or transparency. Warren Buffett has previously called derivatives ''. . . financial weapons of mass destruction, carrying dangers that, while now latent, are potentially lethal.''

The continuing uncertainty over derivatives has helped to bring about the recent freeze in our credit markets. For example, Bear Stearns was deeply involved in the financial derivatives markets. The Federal Reserve eventually provided up to $30 billion and convinced JP Morgan to purchase Bear Stearns because they feared its sudden collapse would produce a tidal wave of defaults around the globe. Also, since Lehman Brothers filed for bankruptcy, financial institutions and corporations have been unsure how to process and cover its derivatives and credit default swaps.

Congress must consider and pass legislation to reform and manage derivatives. We must learn from the current crisis and develop safeguards that ensure that the failure of a financial institution which holds derivatives does not cause a freeze in our credit markets.

The housing crisis also triggered a reassessment of other financial risks, including leveraged loans taken out by financial institutions to increase profits. This approach allows institutions to take much larger market positions which increases their profits but also increases their risk. In 2004, the Securities and Exchange Commission relaxed capital rules for investment banks which allowed these firms to increase their risks during good economic times. Unfortunately, some financial institutions were reckless in their use of leverage.

Published reports say Merrill Lynch borrowed an astounding 44 times the size of its capital to increase profits. If you borrow 44 times your capital and your investments increase only 1 percent you have actually made a 44 percent profit. Unfortunately, the reverse is also true. Think about it: If you have $1 and you use it to borrow and invest $44, common sense tells you that if things go wrong, you will be in a world of trouble. Well, that is exactly what happened. These risky investments caught up to Merrill Lynch. They were bought out by Bank of America after facing bankruptcy earlier this month.

We need to dramatically increase our oversight of all financial institutions and increase capital standards to insure companies like Merrill Lynch and Lehman Brothers can never again impact the U.S. financial system due to their risky business plans.

The government sponsored entities, GSEs, particularly Fannie Mae and Freddie Mac and the FHA have played a critical role in expanding homeownership. However, like too many financial institutions, these organizations included subprime mortgage debt in their portfolios but didn't plan appropriately for the increased risk they had incurred. The Congress and the Bush administration also failed to require Fannie Mae and Freddie Mac to increase their capital requirements to adjust to the increased risks. As a result, the Bush administration was forced to put both Fannie Mae and Freddie Mac into conservatorship earlier this month at a cost of approximately $200 billion to the taxpayers.

Back in 2004, I said that I expressed concern about governance and accounting problems at Freddie Mac and that I would support legislation that provides for strong, effective supervision and regulation of government-sponsored enterprises within a framework that assures their safety and soundness. During the 109th Congress, the Bush administration blocked the enactment of bipartisan legislation to reform Fannie Mae and Freddie Mac.

Going forward, in order to stop the increasing numbers of foreclosures, we need the GSEs to continue their mission, within appropriate capital constraints, to help stabilize the mortgage markets.

Executive compensation is another area that we need to address. We have all read about the outrageous salaries that many of the CEOs of troubled companies have earned over the past few years. Some have increased their pay by increasing the risks their companies take. I am pleased that Chairman BAUCUS of the Senate Finance Committee is pushing for changes in the Treasury proposal to prevent excessive compensation and golden parachutes for executives who sell troubled assets under the Treasury program. CEOs, who abused the public trust and played a role in developing the current economic crisis and are now asking to be bailed out, will not be able to receive severance packages or excessive salaries. Taxpayers will not subsidize their excessive salaries.

When you add it all up, the financial crisis is a result of failures over the past generation to provide appropriate regulation and supervision of the financial services industry. Over the past 8 years, however, what was effectively a trend toward deregulation turned into a stampede. The Bush administration and others in Congress have consistently railed against oversight and accountability during the last 8 years; now taxpayers are forced to clean up this administration's mess.

So I urge my colleagues in the House of Representatives to come together to support the Emergency Economic Stabilization Act that will help protect our vital national interest in the continued health of our economy. Next, we need to come together as a nation to help those who have been hurt by the economic crisis and to finally respond to the structural problems that have brought us to this point.

Mr. REED. Mr. President, middle-class families are being squeezed financially. They feel that the economy and the Government are just not working for them.

The vast majority of Americans are unhappy with the direction President Bush has led us over the last 8 years.

For most of the last decade there has been far too little oversight of the financial marketplace and too little help for the middle class.

I share that frustration. I have voted time and again for common sense tax cuts for the middle class, developing alternative sources of energy, like solar and wind power, greater investment in our roads and bridges, improving our schools, and expanding health coverage for children, new regulations to protect consumers, a responsible end

to the war in Iraq and a host of other important initiatives, but the sad reality is that time and again those efforts have been dashed by filibusters and vetoes by the President and his allies.

But as real as that frustration is, the economic situation requires us to act swiftly and responsibly.

The choice now is to act on this bill or watch as this economic crisis makes the already difficult economy even worse. If we fail to act, there will be more impacts on the lives of an already struggling middle class—job losses, pension losses, and an ever harder time paying for college.

That is why we must act, and that is why we must pass this legislation.

When this proposal was first unveiled, it was little more than a blank check, and I know the people of Rhode Island were outraged just like me.

But this proposal is vastly different. Gone is the blank check.

In its place there are strong protections for the taxpayers, a greater likelihood of success, better oversight, and, most importantly, a chance for a return on this investment in stabilizing the economy.

When the President sent us his blank check, it was clear that we needed to make sure we followed the same principle anyone follows when they lend money which is that you get paid back. That is why I fought and got bipartisan support for a provision that ensures taxpayers do not remain exposed to all of the risks of this program by requiring if you participate in this taxpayer-funded program, that taxpayers get a piece of your future profits through a share in the profit of the assisted company.

This device, known as a warrant, is nothing new, and it can be very effective. In fact, in the Chrysler loan guarantee, warrants were used and resulted in a profit to the Government and in turn the American people. Warrants were also a part of the successful effort to revive the airline industry after 9/11. Most recently, Warren Buffett included them in his deal with Goldman Sachs last week, as did the FDIC in its recent brokering of the purchase of Wachovia by Citibank.

Warrants allow the taxpayers to get their money back and more if a participating company rights itself. In other words, as the company's stock goes up—as it should over time—taxpayers get to participate in that appreciation and even enjoy a reasonable premium.

No one will be shocked to learn that the President and Wall Street opposed my idea for warrants. But when faced with the simple fact that any Wall Street business transaction would exact no less of a price, protecting the taxpayer won and the special interests lost.

There are no guarantees that the assets purchased under this program will eventually appreciate, though that is certainly our hope, but at the very least warrants help safeguard the taxpayer against losses on those assets that underperform.

It is only right to ensure that the taxpayer not foot the bill for this rescue plan because the point of this economic rescue plan is to provide liquidity throughout our credit markets, not to line the pockets of those looking to make a buck on the backs of the taxpayer.

We also said ''no'' when it came to the President's proposal to spend all these funds with zero oversight and transparency. Now, there is a clear requirement that all of these arrangements are transparent and above board. Moreover, there will be a panel of outside experts who must report to the Congress and the American people on the Treasury Secretary's use of these funds and submit a regulatory reform plan in January 2009 so we can work on new laws to prevent a similar case of market failure. And, we included provisions to ensure that no-bid contracts are not awarded, contracting rules are followed, conflicts of interest are prevented, and courts have the authority to review any questions about this law.

And, we took a strong first step when it comes to the excessive pay of too many executives on Wall Street who got us into this mess. Indeed, under this bill, there will be no golden parachutes for those executives who helped create this financial crisis. Instead, they will see those sweetheart deals go away, and, indeed, the Securities and Exchange Commission and the FBI have launched investigations into many of these questionable financial transactions.

Lastly, we should not overlook that this bill also extends a number of tax cuts that will generate investments in alternative sources of energy and green job creation as well as a tax cut for approximately 92,000 middle class Rhode Islanders who would otherwise face the Alternative Minimum Tax.

This bill is necessary, but not perfect. It should be stronger when it comes to impacting those who got us into this mess, and it should contain some of the consumer and investor protections and accounting reforms I have called for over the years. There should be more resources to prevent foreclosures, not to aid people who took out a mortgage they should not have, but to protect the property values and stability of those neighborhoods facing a growing number of foreclosures.

If we don't follow up this vote with increased transparency and better regulations of the financial marketplace, we could very well find ourselves debating another economic rescue package in the not too distant future.

Indeed, I have held eleven hearings over the last year and a half in an effort to bring these regulation and accounting issues to the attention of my colleagues and the administration. These may have seemed like arcane hearings to many, but the reality is those who were supposed to enforce the rules of the marketplace and protect the economy were asleep at the wheel, or worse, blinded by a misguided ideology that over-relies on deregulation. Time and time again, witnesses at these hearings said everything was okay or was at least manageable. They said we should not have hearings and that less oversight and regulation would cure any problems. Now, two of the companies that testified don't even exist. The status quo is unacceptable, and I am hard at work on legislation to reform oversight of Wall Street because the current system failed.

The bill is prompted by a systematic failure by all the financial regulators who turned a blind eye to the problems that had been identified well before this crisis erupted.

Reckless and irresponsible business decisions brought us here, but lax oversight and poor risk management by regulators also played a starring role.

No one is happy that we have to act, but we need to act to avoid further damage to our economy. The task before us now is to protect people's jobs and retirement savings, and do our best to craft a solution to the credit crisis that prevents our economy from grinding to a halt.

The question must also be asked: How can we prevent this from happening again?

The administration found that it could no longer control events. Instead, events controlled the administration as credit markets have stubbornly remained frozen and banks still refuse to lend to each other. Small businesses are finding it harder to get credit, as are consumers.

No one takes lightly voting for a $700 billion package, even with taxpayer protections I and my colleagues built into it. These sophisticated institutions and complex instruments impact very concrete, everyday assets, from homes to retirement savings. We must act now to protect these important assets.

Fundamentally, this is about protecting the savings and well-being of all Americans and providing access to capital and credit for businesses and governments to make investments in our future.

The Senate has taken the first step and I urge the passage of this legislation.

Mr. ROCKEFELLER. Mr. President, I rise today, at this difficult moment in the history of our Nation, as a proud Senator from West Virginia—a State whose people know a thing or two about working hard, playing by the rules, and protecting and defending the American dream in the face of adversity. They believe in looking out for one another, and they deserve just that in return from their Government.

For some time now, many West Virginia families have been besieged by rising gas prices and increased food and utility bills. Already strained paychecks are being stretched to the limit, and families are increasingly finding

themselves on shaky ground. They know they are one illness, one lost job, one accident away from falling into a deep hole. People are worried that they are going to lose their homes, they are watching their property values decrease as neighbors face foreclosure, and they are fearful that this will be the week their job gets cut or their retirement plan goes under. This anxiety is not just being felt by those who make the minimum wage, it is being felt by everyone in every corner of my State. People are angry, and I share that anger.

I have spent my entire career fighting for West Virginians to have a voice and to make sure they don't get the short end of the stick. The Putnam County factory worker who relies on their job at the plant, the St. Marys High School student who is dreaming of attending college to be a teacher, and the thousands of homeowners across the state who are entitled to real peace of mind knowing that the house they have been paying for every month like clockwork for 20 years will not be taken from them.

As our financial markets have deteriorated, banks have collapsed and credit has begun drying up. Small businesses have had a tougher time accessing capital to operate and keep workers employed. Even prominent American companies such as GE, GM, and Caterpillar are beginning to feel this credit crunch. That means less investing in the future, fewer plants opening, and—what I fear most—massive layoffs, long unemployment lines, and a real run on the banks.

Just yesterday I was contacted by the president of a midsized West Virginia manufacturing company that is feeling the pain of this financial crisis. Because of the credit crunch, his customers can't get the capital to purchase his products, cutting in to his company's sales. Monday's huge drop in the stock market, after the House failed to pass a rescue bill, caused his employees' 401(k) plans to lose a full year's worth of value in one day. That means his employees would have to work one additional year in order to recover the value in their retirement plan.

We all knew the economy was weakening but the magnitude of this crisis—watching our financial system crumble—has been shocking. The full impact of this disaster is not yet known, but it is safe to say this is the most troubling series of financial events I have seen in my lifetime.

In response to this crisis, the President sent the Congress a request for a $700 billion blank check—with no details on how the money would be spent, no oversight, no regulations for greedy Wall Street bankers, and most importantly no protections for taxpayers.

With my colleagues on both sides of the aisle, I have been working to determine the best way forward. I have considered the situation and the options very carefully. I have consulted experts in West Virginia and elsewhere, and I have concluded that what we face is extremely serious; and if we do not take action now, the impact on West Virginia families will be devastating.

We should not be in this situation. The lack of regulation or warning by the Bush administration is reprehensible, but the challenge is very serious and we must face it together head on. There is no guarantee that a rescue plan will stop the bleeding, but we must try.

From the beginning, I made it very clear that I would only support a rescue plan that looked out for the needs of people on Main Street and for the taxpayers who work to keep this country strong. The rescue plan we have agreed to is designed to help West Virginians get some of the financial help and tax relief they need and will need in the difficult months ahead. The plan is not perfect and we must do more—but it is an important step.

Six key pieces of the legislation were critical for my support:

First, the bill mandates that taxpayers share in any future profits in order to recoup their funding if at all possible.

The legislation gives the Treasury Department the authority to take warrants or equity in companies that participate, effectively acquiring stock in the company. The warrants help reduce the risk to the taxpayers. If the price the government pays for the assets is low and the banks end up benefiting, the government would own a share of that benefit. If the government is unable to recover the money spent by Treasury after five years, the President must submit a plan to recover the shortfall from the financial services industry.

Second, the bill establishes an oversight board and an independent Inspector General who will watch over the day-to-day operations of the Treasury from the inside out.

I joined some of my Senate colleagues led by the distinguished chairman of the Senate Finance Committee, MAX BAUCUS, in calling for this IG. The American people deserve the advocacy of a tough, independent IG who wakes up every morning with one mission in mind: to track the work of the Treasury—in the greatest detail possible—in order to hold the officials executing this plan accountable and protect taxpayer dollars.

Third, the bill limits executive pay for failed CEOs who abused the public trust, and for continuing or future CEOs whose companies participate in the Government rescue.

It was recently reported that Wall Street's five biggest firms paid more than $3 billion in the last 5 years to their top executives while they presided over the sale of the subprime loans and securities that brought down our financial markets. This is offensive and immoral. These are taxpayer dollars—the American people's money—and we cannot allow this to continue.

The legislation limits CEOs and corporate executives from leaving companies they drove into bankruptcy with "golden parachutes"—especially with taxpayer dollars. The bill cuts the current tax deduction on executive pay in half and then charges a 20 percent excise tax on any company that gives excessive compensation packages. These restrictions were hard fought, and in my view not enough, but if some companies or executives find a loophole and try to take advantage of taxpayer dollars here, I assure you we will clamp down even further.

Fourth, the bill provides relief to homeowners who have been caught up in the current mortgage crisis and are trying to save their homes.

The bill starts to address the root of this financial crisis—foreclosures—not by giving a pass to individuals who took out loans they could not afford, but by allowing the Government to renegotiate mortgage terms. Two million more foreclosures are projected in the next year and it is in everyone's interest to bring that number down, keeping more families in their homes and paying off their debts.

Fifth, the bill raises the FDIC insurance limit temporarily to $250,000, providing more liquidity to banks and addressing the current crisis of confidence, which is causing people to pull their money out of their banks and contributing to the credit crunch.

This is especially important to small businesses which employ over 50 percent of our private work force in West Virginia and which rely on banks to loan them the necessary capital to make payroll, stock their shelves, and invest in new projects and jobs.

Sixth and lastly, the bill includes very substantial tax relief, so that working Americans also get the financial help they need in this time of crisis.

Now 24 million families who can't afford a higher tax bill—including 86 thousand in West Virginia—will be protected from the Alternative Minimum Tax. The parents of almost 80,000 West Virginia children will now qualify for an even better child tax credit, and families will get help with college costs. Teachers who put out money from their own pocket to buy school supplies will get a deduction to help pay them back, and companies will get a boost to do more research and development and create new jobs.

And very importantly—for a secure future on all fronts—the bill puts into law a whole host of energy and clean coal provisions: $5 billion for renewable energy, $1.5 billion for clean coal facilities, $1.2 billion for the Black Lung Trust Fund, and an incentive for the steel industry fuel, a $20 credit for carbon sequestration, and more protection for our coal miners with increased investment in mine rescue teams and state-of-the-art mine safety equipment.

As a Governor of West Virginia during the early 1980s, I saw the crippling

and damaging effects that the recession had on the people of my state. I don't want to see our industries fail, thousands of people lose their jobs, or the kind of fear, uncertainty, and hopelessness that defined those times.

Nothing matters more to me than helping West Virginia families hold on to their life savings, their jobs, their homes, their retirement, and their hopes for the future.

Failure to act will severely hurt West Virginia families and that is a risk I am not willing to take.

I also want to be clear that there are likely more tough times ahead. This plan is intended to prevent an economic catastrophe, but it alone will not put us on the path to prosperity.

We still must turn our attention to broader economic recovery, from healthcare, to increased wages, to expanded job opportunities, to major public infrastructure investments, to restoring fairness to our tax system so that the middle class can once again prosper.

The people of West Virginia deserve lasting solutions and I will fight every day to make sure this happens.

TIMBER TAX PROVISIONS

Mrs. LINCOLN. Mr. President, I am concerned that this stabilization package, which includes package of business tax incentives, does not extend the timber tax provisions that were enacted in sections 15311 and 15312 of the farm bill and which are scheduled to expire in May 2009. I and others have long advocated the enactment of provisions that would permanently reform the tax rules for timber income. Given budget constraints, as part of the farm bill, we established the new rules for 1 year as a first step. It is important that the provisions not be allowed to lapse. Otherwise, our good work could be undone because we will revert to the same situation as before in which companies that harvest timber are subject to higher tax rates simply because of their form of business organization.

As we consider tax extenders legislation, my specific concern is that, by extending a variety of expiring tax provisions until the end of 2009 but not extending the timber tax provisions, we may create the impression that the timber tax provisions are not likely to be extended. Because of this concern, I am interested in learning, from the chairman and ranking member of the Finance Committee, about their plans for considering an extension of the timber tax provisions.

Mr. SMITH. Mr. President, I agree with Senator LINCOLN. We made good progress in enacting the timber tax provisions in the farm bill, but we must take the important next step of making the provisions permanent or, at the very least, extending them.

Mrs. MURRAY. Mr. President, I would like to agree with the points made by my colleagues. The timber tax provisions are critically important to Washington and other States that rely on timber jobs, and the provisions must be extended promptly. I have discussed this matter with the chairman of the Finance Committee, and he has assured me that he will work to extend the provisions early next year.

Mr. BAUCUS. I am happy to respond to the Senators from Arkansas, Oregon, and Washington, whom I have worked with for several years on this issue. They and others have persuaded me that the timber tax provisions are fair and are important. That is why I strongly supported including the provisions in the farm bill.

That said, I believe that the timber tax provisions are in a different category than the extenders that are included in the current bill. The extenders in this bill are provisions that have been in the Tax Code for some time, and most already have expired. The timber tax provisions, in contrast, are new—enacted earlier this year—and, as the Senator said, they do not expire until May 2009. In light of that, although I strongly support the timber tax provisions, I believe that it is better to address them early next year rather than as part of this bill. I anticipate that we will be considering tax legislation early in the next Congress. I will work with Senator LINCOLN, Senator MURRAY, and other interested Senators to see that the timber tax provisions are extended.

Mr. GRASSLEY. I agree with the chairman of the Finance Committee. I support the timber tax provisions and believe they should be made permanent or at least extended. I also agree with Senator BAUCUS that we have time to consider the matter early next year, and I will work with him to pass a timely extension.

Mr. DODD. Mr. President, I rise to discuss the intent in section 105(c) of the Emergency Economic Stabilization Act of 2008, ''Regulatory Modernization Report,'' of the important requirements for analysis of regulation of the over-the-counter swaps market and for recommendations regarding the enhancement of the clearing and settlement of over-the-counter swaps.

The OTC swaps market is enormous, estimated to be $600 trillion. This market is primarily made up of interest rate swaps and Credit default swaps. Corporations, banks, insurance companies, GSEs, pension funds, State and local governments and endowments all participate in the OTC swaps market.

The OTC swaps market is a ''bilateral contract'' market which does not involve an exchange or a clearinghouse. It is directly between two parties, which results in each party bearing ''counter party credit risk.'' In other words, if one of the two parties goes bankrupt or fails to pay, the other party can suffer a complete loss on the transaction.

Since the OTC swaps market has impacts on the financial system, it is appropriate and timely to look at it carefully. Some of the largest OTC swaps market dealers and market participants have been merged in federally arranged transactions into stronger market participants, taken into Government conservatorships or receiverships or provided a line of credit directly by the Federal Government. These actions were taken, in part, because of concerns by Federal authorities about either the losses in their OTC swaps books and or the potential cascading effect on OTC swaps market if such an entity failed.

The Treasury Report should look at the OTC swaps market generally and the current and potential options for improvements in clearing contracts, such as through a Federally licensed clearinghouse, with a view to whether it would materially lower credit risk. The Report should consider issues such as the processing of confirmations, margining, collateral management, market access, transparency in pricing, and safety and soundness concerns.

Mr. President, I want to acknowledge the efforts of the many staff members who have labored almost around the clock over the past several weeks to help craft this legislation.

FROM THE BANKING COMMITTEE

Amy Friend, Dean Shahinian, Jonathan Miller, Aaron Klein, Julie Chon, Jenn Fogel-Bublick, Lynsey Graham, Brian Filipowich, Drew Colbert.

FROM SENATOR GREGG'S COMMITTEE AND PERSONAL STAFF

Denzel McGuire, Jim Hearn, Allison Parent, Christopher Gahan.

FROM THE FINANCE COMMITTEE

Russ Sullivan, Cathy Koch, Mark Prater.

FROM SENATOR CONRAD'S BUDGET COMMITTEE AND PERSONAL STAFF

Mary Naylor, Tom Mahr, Lisa Konwinski, Matt Salomon, John Righter.

FROM THE JUDICIARY COMMITTEE

Bruce Cohen, Kristine Lucius.

FROM THE MAJORITY LEADER'S OFFICE

Bruce King, Mark Wetjen, Gary Myrick, Randy Devalk.

FROM THE REPUBLICAN LEADER'S OFFICE

Rohit Kumar, Derek Kan.

FROM THE OFFICE OF LEGISLATIVE COUNSEL

Laura Ayoud, Rob Grant, Didem Nisanci with Senator REID, David Stoopler with Senator SCHUMER.

Last but not least, our extraordinary Floor Staff, led by Lula Davis and Dave Chiappa.

TRIBUTE TO SENATORS

CHUCK HAGEL

Mr. MCCONNELL. Mr. President, with the end of a session fast approaching, it is time once again to say farewell to some of our favorite colleagues in the Senate. And today that includes our friend, the senior Senator from Nebraska.

CHUCK HAGEL's long record of service is well known to many. What some may not know is that that record of service long predates his time in Washington.

Responsibility was thrust upon CHUCK at an early age. A fourth generation Nebraskan, CHUCK became the man of the house at the young age of 16 after the death of his father.