

build strong, sustainable health infrastructures that can provide assistance to their own citizens.

I mention Uganda because it has been a rare example of success on the continent. The government's early recognition of the crisis and its initial comprehensive policies—including a well-organized public education campaign—are credited with helping to bring adult HIV prevalence down from around 15 percent in the early 1990s to just over 5 percent in 2001. Unfortunately by 2006, scientists were suggesting that Uganda's HIV prevalence rates were once again rising. Indeed, I heard that same concern from most, if not all, of the people I met there, as well as from the President of Uganda himself.

The underlying message was that focusing on treatment is not enough. In the case of Uganda, given the rising infection rates—as with many other parts of the world—the emphasis on treatment fails to address the factors driving the epidemic. Don't get me wrong—Ugandans are grateful for U.S. HIV/AIDS funding—but they made it clear that future support would be more effective if it were more comprehensive, and corresponded more closely to national needs, conditions, and initiatives.

It has become a common refrain that we cannot treat our way out of this global pandemic and I continue to believe that is the case. As long as infection rates are rising, treatment and care costs will increase, as will the disease's burden on key vulnerable populations as well as their families, communities, and countries.

Scientific evidence supports the anecdotal evidence I heard from many in Uganda. It confirms there is much to be gained by integrating the treatment and care of other diseases—particularly tuberculosis but also more common, preventable ailments—with HIV programs and expanded informational awareness campaigns that encourage health knowledge and capacities. Part of the challenge of addressing HIV/AIDS is that the disease does not sit easily within any particular policy area and although there are important domestic components related to health and human services, these are also clearly questions of foreign policy and international assistance. All of these need to be integrated into a harmonious whole.

And that is why today I encourage my colleagues to support The Tom Lantos and Henry J. Hyde HIV/AIDS, TB, and Malaria Reauthorization Act and to reject any amendments that would undermine this bipartisan legislation. This bill is not perfect but, if passed, it will put global AIDS programs on the road to greater sustainability and will significantly increase our commitment to reversing the crisis.

We all know there can be no quick fix or shortcut to success, but we have before us now legislation that maintains

and expands the United States' response to the HIV/AIDS pandemic. Passing this bill will ensure the continuation of U.S. leadership to prevent, contain, and combat HIV/AIDS, tuberculosis, and malaria in a way that advances a broader range of global health and development objectives. To do anything less would not only be bad policy, it would be short-sighted and counterproductive.

The PRESIDING OFFICER. The majority leader is recognized.

#### EXTENSION OF MORNING BUSINESS

Mr. REID. Mr. President, I ask unanimous consent that the morning hour be extended to 4:30, with all other conditions of the previous order remaining in effect.

The PRESIDING OFFICER. Without objection, it is so ordered.

The Senator from Virginia is recognized.

#### FANNIE MAE AND FREDDIE MAC

Mr. WEBB. Mr. President, we are going to be talking this week quite a bit about the situation with Freddie Mac and Fannie Mae. We had news this weekend that the Federal Reserve and Treasury are intending to intervene to shore up Freddie Mac and Fannie Mae.

This situation underscores the depth and the persistence of our Nation's housing crisis. Last week, I joined a bipartisan majority of Senators in voting to approve a housing bill that is intended to strengthen oversight in Fannie Mae and Freddie Mac, to allow the FHA to guarantee up to \$300 billion in new loans for at-risk subprime borrowers. But I think it would be useful at this time to review a few recent data points in other areas because they should cause all of us some concern about where we are heading and the decisions we are making as fiduciaries of the public trust.

In March of this year, Bear Stearns, the Nation's fifth largest investment banking firm, was battered by what its officials termed a sudden liquidity crisis regarding or related to its large exposure to devalued mortgage-backed securities.

At that time, Bear Stearns, JPMorgan, and the Federal Reserve reached a negotiated deal. JPMorgan purchased 95 million newly issued shares of Bear's common stock, and the Fed, which in reality means the people who pay the taxes in our country, became responsible for up to \$29 billion in losses if the collateral provided by Bear Stearns for the loan proves to be worth less than their original claims. That is \$29 billion guaranteed by American taxpayers in the private market.

This decision was unprecedented. Never before had the Fed bailed out a financial entity that was not a commercial bank. The Fed's unprecedented role has generated a widespread debate on the implications of these types of

interventions. Many have had concerns that the Government's action tells the market that the Fed is willing to help a large and failing financial enterprise, which, in many people's view, sets a bad precedent in terms of corporate responsibility.

And by way of information, Bear Stearns' CEO earned \$38.4 million in 2006. They did not file a proxy statement in 2008; his compensation was not available for 2007. But I will say that again. In 2006, previous to this crisis, the CEO made \$38.4 million.

Last week, IndyMac Bank of Pasadena, CA was closed by the Federal Office of Thrift Supervision, and the FDIC, the Federal Deposit Insurance Corporation, was named conservator and therefore took over this bank's operations. According to the FDIC, the bank's board of directors was dissolved, the CEO was fired, and upper management may remain, although this has not yet been determined. But the new CEO in this situation is now an FDIC employee and is therefore compensated per a Government payscale. As conservators, the FDIC will operate the bank to maximize the value of the institution for further sale and to maintain banking services.

So when we look at the situation we are now facing with Fannie Mae and Freddie Mac, I think it is important to lay down three guiding principles. The first is, we do need to ensure that the measures we are taking protect these Americans who remain at risk of foreclosure. We have to take some proper action now so that this crisis does not grow deeper. But we also need to be very sensitive to the thousands of workers, many of whom live in this area, who have built careers at Fannie Mae and Freddie Mac. Many of those workers have their retirement savings tied up in the plummeting stock of these formerly robust companies. But as we focus rightly on those two concerns, on the homeowners and on the workers, we also need to be equally clear that any solution to this crisis has to be fair to the American taxpayers who ultimately are going to foot the bill. When times go bad like this, quite often the people who are paying the taxes are people who do not even own stock, or maybe it is somebody who makes \$40,000 a year driving a truck who now is being asked to put money up to preserve an entity where, again, we see executive compensation and stock values over the years have increased.

Paul Krugman wrote a piece in the New York Times today addressing elements of this issue. I want to read a portion of it.

The case against Fannie and Freddie begins with their peculiar status: although they're private companies with stockholders and profits, they're "government-sponsored enterprises" established by Federal law, which means that they receive special privileges. The most important of these privileges is implicit: it's the belief of investors that if Fannie and Freddie are threatened with failure, the Federal Government will come to their rescue.

This implicit guarantee means that profits are privatized but losses are socialized. If Fannie and Freddie do well, their stockholders [and the corporate executives] reap the benefits, but if things go badly, Washington picks up the tab. Heads they win, tails we lose. Such one-way bets can encourage the taking of bad risks, because the down side is someone else's problem.

Mr. President, I ask unanimous consent to have the entire New York Times article printed in the RECORD.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

[From the New York Times, July 14, 2008]

FANNIE, FREDDIE AND YOU

(By Paul Krugman)

And now we've reached the next stage of our seemingly never-ending financial crisis. This time Fannie Mae and Freddie Mac are in the headlines, with dire warnings of imminent collapse. How worried should we be?

Well, I'm going to take a contrarian position: the storm over these particular lenders is overblown. Fannie and Freddie probably will need a government rescue. But since it's already clear that that rescue will take place, their problems won't take down the economy.

Furthermore, while Fannie and Freddie are problematic institutions, they aren't responsible for the mess we're in.

Here's the background: Fannie Mae—the Federal National Mortgage Association—was created in the 1930s to facilitate homeownership by buying mortgages from banks, freeing up cash that could be used to make new loans. Fannie and Freddie Mac, which does pretty much the same thing, now finance most of the home loans being made in America.

The case against Fannie and Freddie begins with their peculiar status: although they're private companies with stockholders and profits, they're "government-sponsored enterprises" established by federal law, which means that they receive special privileges.

The most important of these privileges is implicit: it's the belief of investors that if Fannie and Freddie are threatened with failure, the federal government will come to their rescue.

This implicit guarantee means that profits are privatized but losses are socialized. If Fannie and Freddie do well, their stockholders reap the benefits, but if things go badly, Washington picks up the tab. Heads they win, tails we lose.

Such one-way bets can encourage the taking of bad risks, because the downside is someone else's problem. The classic example of how this can happen is the savings-and-loan crisis of the 1980s: S&L owners offered high interest rates to attract lots of federally insured deposits, then essentially gambled with the money. When many of their bets went bad, the feds ended up holding the bag. The eventual cleanup cost taxpayers more than \$100 billion.

But here's the thing: Fannie and Freddie had nothing to do with the explosion of high-risk lending a few years ago, an explosion that dwarfed the S&L fiasco. In fact, Fannie and Freddie, after growing rapidly in the 1990s, largely faded from the scene during the height of the housing bubble.

Partly that's because regulators, responding to accounting scandals at the companies, placed temporary restraints on both Fannie and Freddie that curtailed their lending just as housing prices were really taking off. Also, they didn't do any subprime lending, because they can't: the definition of a subprime loan is precisely a loan that

doesn't meet the requirement, imposed by law, that Fannie and Freddie buy only mortgages issued to borrowers who made substantial down payments and carefully documented their income.

So whatever bad incentives the implicit federal guarantee creates have been offset by the fact that Fannie and Freddie were and are tightly regulated with regard to the risks they can take. You could say that the Fannie-Freddie experience shows that regulation works.

In that case, however, how did they end up in trouble?

Part of the answer is the sheer scale of the housing bubble, and the size of the price declines taking place now that the bubble has burst. In Los Angeles, Miami and other places, anyone who borrowed to buy a house at the peak of the market probably has negative equity at this point, even if he or she originally put 20 percent down. The result is a rising rate of delinquency even on loans that meet Fannie-Freddie guidelines.

Also, Fannie and Freddie, while tightly regulated in terms of their lending, haven't been required to put up enough capital—that is, money raised by selling stock rather than borrowing. This means that even a small decline in the value of their assets can leave them underwater, owing more than they own.

And yes, there is a real political scandal here: there have been repeated warnings that Fannie's and Freddie's thin capitalization posed risks to taxpayers, but the companies' management bought off the political process, systematically hiring influential figures from both parties. While they were ugly, however, Fannie's and Freddie's political machinations didn't play a significant role in causing our current problems.

Still, isn't it shocking that taxpayers may end up having to rescue these institutions? Not really. We're going through a major financial crisis—and such crises almost always end with some kind of taxpayer bailout for the banking system.

And let's be clear: Fannie and Freddie can't be allowed to fail. With the collapse of subprime lending, they're now more central than ever to the housing market, and the economy as a whole.

Mr. WEBB. Looking at or thinking about Mr. Krugman's piece, we should also recall that the chief executives of those two companies last year earned multimillion-dollar compensation packages. We respect the guidance and the leadership that allows corporate CEOs to make these kinds of compensation, but at the same time, we should not be asking the taxpayers of this country, many of whom do not even own stocks, if we are buttressing the activities of these companies, to continue to assist financially this type of corporate compensation.

We have seen one example with the recent IndyMac Bank failure where the FDIC came in and the acting CEO gets a regular Federal salary. I urge all of my colleagues to think about this this week, that, as Mr. Krugman says, "the profits are privatized," meaning the small group of people who own stocks take advantage when things go well, and sometimes we talk about economic Darwinism and how the fact that they make that sort of compensation relates to their talent, "but losses are socialized" meaning that everyone in the country ends up having to pay when things go wrong in order to protect the system from falling apart.

Well, the bottom line of that is, if our taxpayers are going to be required to chip in to solve the problem, they should not be alone. The executives who are involved in the operations of these institutions should also be willing to do the same.

I yield the floor, and I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. REID. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

The majority leader is recognized.

## CONCLUSION OF MORNING BUSINESS

Mr. REID. Mr. President, I have talked to the distinguished ranking member of the Foreign Relations Committee and explained to him where we are. I am very happy we have an agreement to move forward on PEPFAR. That agreement is that we have 10 amendments. They are amendments we worked on hard. We did it all day Thursday and Thursday night, and then Friday, of course, perfecting the agreement, and we now have consent to move to the bill.

Here is the problem that faces the majority: By our moving to PEPFAR, it opens a spot where somebody can move to proceed to something else, anything that is on the calendar. Anyone can come in and move to that piece of legislation, and file a cloture motion with it, which would force us to be on that matter. I cannot allow that to happen.

I say this with the deepest respect for all my Republican colleagues, but we have had a little bit of mischievous legislation being thrown about here, and so if I move to something else to fill that spot to keep someone else from moving to something else, we on this side would be very happy to leave that dormant, do nothing with it, and move forward and complete PEPFAR. There would be no harm to anyone in doing this. But it would seem to me there would be a lot of harm if—I will not mention any names—the two or three likely suspects walked over here and moved to proceed to something else. I think it would create a lot of problems.

This PEPFAR legislation dealing with global AIDS is extremely important. The President wants it. I do not know of a single Democrat who does not want it. I think most Republicans—I think the vast majority of Republicans—want this. So I would hope we are not going to get off track because of some folks over here who have tended to make me kind of look for a sucker punch to be thrown at any time. I think we would all be ill-advised to not finish PEPFAR at this time.

Mr. President, I would ask that morning business be closed. That being