waterboarding. They have for 30 years. Now maybe they're stopping it now, but they, for 30 years, since Vietnam, went through waterboarding as a training technique. Nobody called it torture then, and we certainly weren't talking about a terrorist who cut somebody's head off and helped design the attack on the World Trade Center that killed over 3,000 people.

CIA Director General Michael B. Hayden said on Fox News Sunday last weekend that the use of these techniques against these terrorists made us, the United States of America, safer. It really did work. And the thing that bothers me, instead of using enhanced interrogation techniques to go after these terrorists to find out what's going on, we're instead bringing them from Guantanamo to New York City. Well, they've stopped that now because it's going to cost $250 million, at least, and the mayor of the city said he doesn't want that to go on. But we were going to bring these terrorists that killed all these Americans and did all these horrible things like cutting off people's heads and hanging them from bridges in Fallujah, and we were going to bring them to New York. And we're providing them with legal help. We're providing them with guidance.

And this guy that flew into Detroit and tried to blow up an airplane with 230-some people on it, we gave him his Miranda rights. Then, after that, we went over to his home country and brought his mother and father back so they could talk to him to convince him to talk to the American intelligence people. Is that the way you conduct intelligence gathering—giving them Miranda rights, bringing them to the United States after they've done these horrible things to Americans? They're terrorists.

We are in a war against terrorism and within bounds we should use every enhanced technique we can come up with to elicit information from these terrorists before they kill Americans. We should be going after them with everything we have instead of providing legal defense for them. They are not Americans. They're terrorists who want to destroy the United States of America. And we as Americans need to realize that and do whatever is necessary, including using enhanced interrogation techniques like waterboarding, which we've done with the military—our military—in order to save this country and protect it from terrorism.

□ 1715

FINANCIAL RECOVERY

The SPEAKER pro tempore. Under a previous order of the House, the gentlewoman from Ohio (Ms. KAPTUR) is recognized for 5 minutes.

Ms. KAPTUR. Mr. Speaker, the economic pain in the Midwestern region of our country is not subsiding in any meaningful way. Approximately 600,000, over half a million Americans, are out of work in just our State alone and over 20 million Americans across our country. In our district, one county, Ottawa County, is suffering from an unemployment rate that exceeds 17 percent, and just yesterday another one of its largest employers, Silgan, announced it would close its plant.

There have been approximately 27,000 bankruptcies in just one county in my district. Bankruptcy is a desperate act, an act taken only when you see no other alternative. Today's New York Times talks about desperate measures that homeowners across our country are now taking. The front page article describes the growing number of Americans who are "under water" on their mortgages and the steps they are taking to cope with that situation. Being under water means you owe more on the house than it's worth. More and more homeowners who are under water are taking the desperate act of walking away from their homes, even in the winter.

When the real estate market started sinking in the middle of 2006, almost no Americans were under water on their mortgages. Now 3 years later, an estimated 4.5 million homeowners have reached what The Times calls "the critical threshold" where the home's value had fallen below 75 percent of the mortgage balance.

Frankly, as I predicted, the mortgage workout programs hastily adopted by this Congress are not working for the majority of Americans. Some would say this is purposeful to allow the five big Wall Street megabanks to further gain ownership over huge segments of the U.S. real estate market. The New York Times cites recent data that suggests the real estate market is stalling again, and the number of people who have fallen below this critical threshold is projected to climb to a peak of 5.1 million people by June.

Mr. Speaker, the figure would represent 10 percent of all Americans with mortgages: one in 10. This is unacceptable in America. And without improvement in the housing market, America is unlikely to see improvement in the overall economy because housing always leads us to recovery.

All of us are anxious to see more economic growth. The most recent gross domestic product showed that the American economy overall had grown at the fastest pace in 6 years, certainly better than the lost jobs of the Bush era. But now economists are saying that we're headed for a jobless recovery. That is unacceptable. Economist Peter Morici states that we will need 5 to 6 percent growth over the next 3 years to replace the jobs that have been lost during the recession, and Raymond Hodgdon, in his economic report out of Chicago, suggests the same number.

Our Nation got to these desperate times through the financial crisis. Our economy essentially functions on credit, and much of our credit was created through the securitization of loans which should lead to a discussion of the shadow banking system, a secretive, opaque netherworld where fraud can thrive even as it devastates the entire country.

Equally in the shadows is the Federal Reserve. Last week we had a hearing in the Oversight and Government Reform Committee with Secretary Geithner of Treasury on his role as president of the New York Federal Reserve Bank during the AIG bailout. The Secretary stated he had recused himself from such activities as the bailout of AIG once he was nominated as Secretary of the Treasury. But when I asked him for his recusal agreement for the record, he stated that there was no documentation. No recusal agreement exists—nothing legal, no waiver, nothing. He made decisions, and only he is accountable for them. There was a gasp in the room.

Beyond the shadowland of our Nation's financial system, our small community banks are struggling as bad loans from commercial and residential real estate continue to plague our financial system. The small community banks that have survived are trying to lend to small businesses which are the main engine of our economy, but they cannot do so if the big banks are holding credit hostage. And turning to TARP is not the answer for our community banks because it isn't Treasury's job to pick winners and losers in the commercial marketplace. That should be a market function.

The end result is that small businesses are dying too. The small community banks cannot loan to local small business. Without access to credit, small business is letting people go, too; and they're becoming unemployed. And meanwhile, the Wall Street banks are just getting bigger, using Federal money to gain an edge on their competition.

Mr. Speaker, this situation is simply unacceptable, and it's time for Congress to rework legislation to allow people to stay in their homes and to begin creating jobs in this country so we can actually bring the deficit down as people pay their taxes to the Treasury of the United States.

[From the New York Times, Feb. 3, 2010]

NO HELP IN SIGHT, MORE HOMEOWNERS WALK AWAY

(By David Streitfeld)

In 2006, Benjamin Koellmann bought a condominium in Miami Beach. By his calculation, it will be about the year 2025 before he can sell his modest home for what he paid. Or maybe 2040.

"People like me are beginning to feel like suckers," Mr. Koellmann said. "Why not let it go in default and rent a better place for less?"

After three years of plunging real estate values, after the bailouts of the bankers and the revival of their million-dollar bonuses, after the Obama administration's loan modification plan raised the expectations of many but satisfied only a few, a large group of distressed homeowners is wondering the same thing.

New research suggests that when a home's value falls below 75 percent of the amount owed on the mortgage, the owner starts to think hard about walking away, even if he or she has the money to keep paying.

In a situation without precedent in the modern era, millions of Americans are in this bleak position. Whether, or how, to help them is one of the biggest questions the Obama administration confronts as it seeks a housing policy that would contribute to the economic recovery.

''We haven't yet found a way of dealing with this that would, we think, be practical on a large scale,'' the assistant Treasury Secretary for financial stability, Herbert Allison Jr., said in a recent briefing.

The number of Americans who owed more than their homes were worth was virtually nil when the real estate collapse began in mid–2006, but by the third quarter of 2009, an estimated 4.5 million homeowners had reached the critical threshold, with their home's value dropping below 75 percent of the mortgage balance.

They are stretched, aggrieved and restless. With figures released last week showing that the real estate market was stalling again, their numbers are now projected to climb to a peak of 5.1 million by June—about 10 percent of all Americans with mortgages.

''We're now at the point of maximum vulnerability,'' said Sam Khater, a senior economist with First American CoreLogic, the firm that conducted the recent research. ''People's emotional attachment to their property is melting into the air.''

Suggestions that people would be wise to renege on their home loans are at least a couple of years old, but they are turning into a full-throated barrage. Bloggers were quick to note recently that landlords of an 11,000-unit residential complex in Manhattan showed no hesitation, or shame, in walking away from their deeply underwater investment.

''Since the beginning of December, I've advised 60 people to walk away,'' said Steve Walsh, a mortgage broker in Scottsdale, Ariz. ''Everyone has lost hope. They don't qualify for modifications, and being on the hamster wheel of paying for a property that is not worth it gets so old.''

Mr. Walsh is taking his own advice, recently defaulting on a rental property he owns. ''The sun will come up tomorrow,'' he said.

The difference between letting your house go to foreclosure because you are out of money and purposefully defaulting on a mortgage to save money can be murky. But a growing body of research indicates that significant numbers of borrowers are declining to live under what some waggishly call ''house arrest.''

Using credit bureau data, consultants at Oliver Wyman calculated how many borrowers went straight from being current on their mortgage to default, rather than making spotty payments. They also weeded out owners having trouble paying other bills. Their estimate was that about 17 percent of owners defaulting in 2008, or 588,000 people, chose that option as a strategic calculation.

Some experts argue that walking away from mortgages is more discussed than done. People hate moving; their children attend the neighborhood school; they do not want to think of themselves as skipping out on a debt. Doubters cite a Federal Reserve study using historical data from Massachusetts that concludes there were relatively few walk-aways during the 1991 bust.

The United States Treasury falls into the skeptical camp.

''The overwhelming bulk of people who have negative equity stay in their homes and keep paying,'' said Michael S. Barr, assistant Treasury secretary for financial institutions.

It would cost about $745 billion, slightly more than the size of the original 2008 bank bailout, to restore all underwater borrowers to the point where they were breaking even, according to First American.

Using government money to do that would be seen as unfair by many taxpayers, Mr. Barr said. On the other hand, doing nothing about underwater mortgages could encourage more walk-aways, dealing another blow to a fragile economy.

''It's not an easy area,'' he said.

Walking away—also called ''jingle mail,'' because of the notion that homeowners just mail their keys to the bank, setting off foreclosure proceedings—began in the Southwest during the 1980s oil collapse, though it has never been clear how widespread it was.

In the current bust, lenders first noticed something strange after real estate prices had fallen about 10 percent.

An executive with Wachovia, one of the country's biggest and most aggressive lenders, said during a conference call in January 2008 that the bank was bewildered by customers who had ''the capacity to pay, but have basically just decided not to.'' (Wachovia failed nine months later and was bought by Wells Fargo.)

With prices now down by about 30 percent, underwater borrowers fall into two groups. Some have owned their homes for many years and got in trouble because they used the house as a cash machine. Others, like Mr. Koellmann in Miami Beach, made only one mistake: they bought as the boom was cresting.

It was April 2006, a moment when the perpetual rise of real estate was considered practically a law of physics. Mr. Koellmann was 23, a management consultant new to Miami.

Financially cautious by nature, he bought a small, plain one-bedroom apartment for $215,000, much less than his agent told him he could afford. He put down 20 percent and received a fixed-rate loan from Countrywide Financial.

Not quite four years later, apartments in the building are selling in foreclosure for $90,000.

''There is no financial sense in staying,'' Mr. Koellmann said. With the $1,500 he is paying each month for his mortgage, taxes and insurance, he could rent a nicer place on the beach, one with a gym, security and valet parking.

Walking away, he knows, is not without peril. At minimum, it would ruin his credit score. Mr. Koellmann would like to attend graduate school. If an admission dean sees a dismal credit record, would that count against him? How about a new employer?

Most of all, though, he struggles with the ethical question.

''I took a loan on an asset that I didn't see was overvalued,'' he said. ''As much as I would like my bank to pay for that mistake, why should it?''

That is an attitude Wall Street would like to encourage. David Rosenberg, the chief economist of the investment firm Gluskin Sheff, wrote recently that borrowers were not victims. They ''signed contracts, and as adults should also be held accountable,'' he wrote.

Of course, this is not necessarily how Wall Street itself behaves, as demonstrated by the case of Stuyvesant Town and Peter Cooper Village. An investment group led by the real estate giant Tishman Speyer recently defaulted on $4.4 billion in debt that it had used to buy the two apartment developments in Manhattan, handing the properties back to the lenders.

Moreover, during the boom, it was the banks that helped drive prices to unrealistic levels by lowering credit standards and unleashing a wave of speculative housing demand.

Mr. Koellmann applied last fall to Bank of America for a modification, noting that his income had slipped. But the lender came back a few weeks ago with a plan that added more restrictive terms while keeping the payments about the same.

''That may have been the last straw,'' Mr. Koellmann said.

Guy D. Cecala, publisher of Inside Mortgage Finance magazine, says he does not hear much sympathy from lenders for their underwater customers.

''The banks tell me that a lot of people who are complaining were the ones who refinanced and took all the equity out any time there was any appreciation,'' he said. ''The banks are damned if they will help.''

Joe Figliola has heard that message. He bought his house in Elgin, IL, in 2004, then refinanced twice to get better terms. He pulled out a little money both times to cover the closing costs and other expenses. Now his place is underwater while his salary as circulation manager for the local newspaper has been cut.

''It doesn't seem right that I can rent a place somewhere for half of what I'm paying,'' he said. ''I told my bank, 'Just take a little bite out of what I owe. That would ease me up. Isn't that why the President gave you all this money?' ''

Bank of America did not agree, so Mr. Figliola, who is 48, sees no recourse other than walking away. ''I don't believe this is the right thing to do,'' he said, ''but I've got to survive.''

[From Enlighted Economics, January 2010]

HODGDON ECONOMIC COMMENTARY

ECONOMIC RECOVERY 2010?

Economic Outlook

The Dow Jones (19%), the S&P 500 (24%) and NASDAQ (44%) were all up significantly in 2009. The stock market seems to be forecasting strong economic growth in 2010 and beyond. Unfortunately, it will require roaring economic growth (8%–10%) to justify these stock prices. This will not happen. Most economists are forecasting economic growth of 2%–4% (probably optimistic). This level of growth is too low to reduce the unemployment stock (20 million). It requires economic growth of 3%–4% just to absorb new entrants into the job market. The current level of unemployment is 10%. This level is understated because it does not include everyone that is unemployed. The real rate of unemployment is 17%.

The average first year economic recovery coming out of a recession is 6%. Usually the greater the recession, the greater the first year recovery, that will not happen this time.

The financial crisis that caused the economic collapse was the result of 30 years of inflated credit. This artificial credit took the form of securitized bank loans (The Shadow Banking System).

By 2008 the unregulated Shadow Banking System was larger than the regulated banking system ($12 trillion). This inflated the role of consumer spending (70%) in the economy. The Shadow Banking System no longer exits and will not return, without serious financial regulatory reform.

In other words, the inflated level of credit that was artificially supporting the economy has been withdrawn and it will not return because the credit ratings and in many cases the securities themselves were fraudulent to begin with. The economy runs on credit. If you withdraw $12 trillion in credit from the economy, the economic trajectory will be lower than it was before.

Consumer spending will not return to 70% of GDP either or anything close to it. Historically, each 1% decline in consumer spending cuts U.S. imports by 2.8%. The economy is on life support and the consumer will not come to the rescue this time.

All the money the Fed is pumping into the economy is propping the economy and the stock market up but it is not restoring the economy to previous artificial levels. And those artificial levels were not so great to begin with. For example, GDP growth for the decade just ended was slightly less than 2.0%. Core inflation for the decade just ended was about 2.4%.

Thus, real economic growth was slightly negative for the first decade of the new millennium. Let's call it zero to account for rounding errors. Not surprisingly, stock market growth for decade just ended was also zero.

This is why banks are not lending and borrowers are not borrowing. Banks are using Fed money and low interest rates to restore their balance sheets and to reduce their risk exposure. Repaying debt in 2010 will continue to be attractive to borrowers and reducing risk exposure will continue to be attractive to lenders.

With consumer spending and lending remaining well below recent levels and unemployment remaining at historic levels, there is no chance of a roaring economic recovery. This also raises serious doubts over conventional concerns about inflation.

Inflation is a function of velocity not money supply growth.

THE MONETARY EQUATION IS: MV = PT

Velocity increases when economic growth is very strong. Velocity declines when the economy contracts. There is no chance of velocity increasing anytime soon under current conditions.

Deflation remains a greater concern, which is why the Fed will not increase interest rates before the end of the year. Excess capacity in the U.S. and worldwide along with velocity continuing to fall will keep inflation low.

Real Estate Outlook

Excess inventories of houses for sale, the mortal enemy of prices, remain huge. And inventories may rise. A quarter of homeowners with mortgages are under water and 40% of homeowners who took out mortgages in 2006 are under water.

Since building costs don't change much over time, the volatility in house prices is really fluctuating land values. The collapse in land values the past two years will probably persist. The 30% decline in house prices nationwide has put the 5 percenter's way under water. It took three decades for the financial sector to expand its leverage to the levels reached in 2007. Deleveraging will take at least 10 years.

Due to bad commercial as well as residential real estate loans, small banks are dropping like flies. Since small banks are the primary lenders to small business and since small business is the engine of job growth, it seems likely unemployment will remain high and slow economic growth will continue.

Excess capacity in commercial real estate and big refinancing requirements in coming years beginning in 2010 will continue to plague hotels, malls, warehouses and office buildings. Moody's/REAL Commercial Property Price Index fell 44% last October from 2007. Retailers closed 8,300 stores last year exceeding the previous peak of 6,900 (2001).

Most of the really bad loans in residential and commercial real estate were made in 2005–2006. Those loans will have to be refinanced in 2010–2012. It is estimated that as much as 50% of these commercial real estate loans will not roll over in 2010.

Economic Summary

Thus, the economic weather report for 2010 is for slow economic growth, high unemployment, falling real estate prices, continued deleveraging, more small bank failures and a huge supply of bad residential and commercial real estate loans needing to be refinanced. This is not a clear skies ahead or a return to business as usual forecast, as the stock market seems to have been forecasting.

Financial Outlook

The economy will eventually adjust to this lower economic trajectory but it will take time. The only thing that could speed up this process would be to identify the cause of the financial crisis (The Greatest Securities Fraud in History) and fix it.

Unfortunately, the Obama and Bush Administrations have covered up the cause of the financial crisis in order to protect those responsible. Perhaps the Financial Crisis Commission, which is investigating the cause of the crisis will identify the real cause of the crisis and recommend positive corrective actions. Absent that, we are looking at a sustained period of slow economic growth.

Throughout this crisis, President Obama, a gifted public speaker, has consistently spoken on behalf of ''Main Street'' but acted on behalf of ''Wall Street''. This strategy is based on the belief held by politicians and the investment banking cartel, which caused the financial crisis and is in complete control of the Administration, that you can fool ''all the people all the time''. It will come as no surprise that all of the President's key financial advisors work for or are surrogates for the investment banking cartel.

President Obama proposed prohibiting Big Banks from engaging in Proprietary Trading and Proprietary Hedge Funds.

''Main Street'' was not impressed and ''Wall Street'' laughed

The reason ''Wall Street'' laughed is that proprietary trading and proprietary hedge funds had absolutely nothing to do with cause of the financial crisis and taking it away does nothing to help ''Main Street'' or curtail ''Wall Street's'' subsidized risk taking. While it is true that investment banks benefit from access to the Fed's discount window and bank deposits for trading purposes. This is the result of the repeal (1999) of Glass-Steagall, which was the ultimate cause of the financial crisis, along with the economic structure of the financial industry (cartels, oligopolies and duopolies). In other words, the President learned nothing from Massachusetts. Tinkering with symptoms of the financial crisis rather than its causes is just not good enough.

Moreover, it is not the size of banks that is the problem; it is their configuration and lack of regulation. That is the mixing of unregulated investment banks (gambling casinos) with regulated commercial banks is the problem. It is the combination of investment banks and commercial banks that makes banks ''too big to fail'' not their size.

There is no systemic risk from the failure of a stand-alone investment bank. The repeal of Glass-Steagall, which ushered in a decade of unparalleled risk taking and fraud by permitting investment banks and commercial banks to combine for the first time in 70 years created the ''too big to fail'' problem.

In the process of tinkering and ignoring the real problem the President managed to embarrass Paul Volcker, a great public servant, by making him take credit for this foolishness. This was not Volcker's Proposal. Volcker's Proposal was to bring back the Glass-Steagall Act, which was repealed by the Financial Destruction Act of 1999.

While it is true that Glass-Steagall would prohibit commercial banks from engaging in proprietary trading and hedge funds, it would prohibit a lot more than that. It would prohibit commercial banks from engaging in all investment banking activities. Proprietary trading and hedge funds are crumbs on the floor by comparison.

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Kansas (Mr. MORAN) is recognized for 5 minutes.

(Mr. MORAN of Kansas addressed the House. His remarks will appear hereafter in the Extensions of Remarks.)

HONORING THE U.S. COAST GUARD CUTTER ''INGHAM''

The SPEAKER pro tempore. Under a previous order of the House, the gentlewoman from Florida (Ms. ROS-LEHTINEN) is recognized for 5 minutes.

Ms. ROS-LEHTINEN. Mr. Speaker, I rise today to honor one of the most decorated ships of the United States, the U.S. Coast Guard Cutter *Ingham*. For 52 years, the *Ingham* protected our shoreline. Entering service in 1935, the *Ingham* delivered critical assistance to the United States in World War II, Korea, and Vietnam.

The *Ingham* protected Allied ships that were ferrying supplies to Great Britain during the Second World War. With the American flag flying high on her mast, the *Ingham* battled stormy weather, dodged German U-boats, sank an enemy submarine, and eluded enemy aircraft. The *Ingham* also served in the Pacific, acting as the amphibious flagship for four of the Philippine Islands invasions. It was from aboard the *Ingham* that General MacArthur planned and oversaw the critical capture of Corregidor.

More recently and closer to home, in 1980 over 125,000 Cubans fled north from the oppressive Castro dictatorship in battered rafts and stormy weather. The *Ingham* was instrumental in rescuing many refugees adrift in these makeshift rafts and bringing seven refugee vessels to safety, saving 122 lives.

She is the only ship in our history to receive two Presidential citations and has been awarded an astounding 14 Battle Stars and 19 ribbons. The *Ingham* and the many crew members who have served both on and below her decks are a testament to our great Nation. A total of 912 casualties are honored on a memorial plaque on her quarterdeck. Having paid the ultimate price for our freedom, these men and women earned our respect.

When the *Ingham* was decommissioned in 1988, she was the second oldest American warship afloat. Now a floating museum, it is through the exhibits and memorials within the *Ingham* that we can honor and remember all of those 912 service men and women and all that they have done in the service of our Nation.

The *Ingham* is a national historic landmark and serves as a national memorial to all Coast Guard men and women killed in action. It is through the leadership of former Key West Commissioner Bill Verge, a retired U.S.