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Gramm-Leach-Bliley Act (1999)

A bank deregulation bill that undermined the Glass-Steagall Act by opening up competition among banks, securities companies and insurance companies. It passed the Senate 90-8 and was signed by President Clinton which led to a wave of megamergers “too big to fail.” The driving force was Sen. Phil Gramm (R-TX) who had received $4.6 million from the FIRE sector over the previous decade.

Commodity Futures Modernization Act (Dec. 14, 2000)

The bill by-passed the substantive policy committees in both the House and the Senate so that there were neither hearings nor opportunities for recorded committee votes. In substance, it appears that the leadership of the Republican-controlled Senate and House incorporated the deregulation of credit default swaps into an omnibus budget bill (without hearings or recorded votes) at a time when the outgoing president was in no position to veto anything.

What the law provides:

Sen. Gramm attached a 262 page amendment to an omnibus appropriations bill to deregulate derivatives trading. This law unleashed the derivatives market and paved the way for banks to become more aggressive about investing in mortgages. This law gave rise to the “Enron loophole” and opened the door to an explosion in new, unregulated securities. “The legislation contained a provision—lobbied for by Enron, a generous contributor to Gramm—that exempted energy trading from regulatory oversight, allowing Enron to run rampant, wreck the California electricity market, and cost consumers billions before it collapsed.”

American Homeownership and Economic Opportunity Act (Dec. 27, 2000)

The bill makes it harder for consumers to get out of lender-required insurance.

Bankruptcy Abuse Prevention and Consumer Protection Act (April 20, 2005)

The bill makes it harder for consumers (but not businesses) to discharge debts. The strict means test that would force more debtors to file under Chapter 13 (under which a percentage of debts must be paid over a period of 3-5 years) as opposed to Chapter 7 (under which debts are paid only out of existing assets), the additional penalties and responsibilities the bill places on debtors, and the bill’s many provisions favorable to credit card companies.
Increases housing benefits for specially adapted houses for disabled veterans from $10,000 to $12,000, with increases each year tied to the residential home cost-of-construction index (Sec. 2605).

Changes the limitation on the sale, foreclosure, or seizure of property owned by service members from 90 days to nine months after their return from military service, and limits their interest rates to 6 percent during service and one year after their return (Sec. 2203).

Provides first-time homebuyers with a tax credit of up to $7,500 for residences purchased on or after April 9, 2008, which the homebuyers will repay over fifteen years following their purchase (Sec. 3011).

Expands home ownership counseling eligibility to include people who have a reduction in income due to divorce or death, or who have an increase in expenses due to medical expenses, divorce, unexpected property damages not covered by insurance, or a large property tax increase (Sec. 2127).

Allows a real property tax deduction on the amount of state and local real property taxes paid during the taxable year of up to $500 for individuals and $1,000 for joint returns, applicable to taxable years beginning in 2008 (Sec. 3012).
Requires the Secretary of the Treasury (SOT) to establish within the Office of Domestic Finance of the Treasury Department an Office of Financial Stability to implement TARP.

Directs the SOT to prevent unjust enrichment of participating financial institutions, including sale of a troubled asset (with certain exceptions) to the SOT at a price higher than the seller paid to purchase it.

Authorizes the Secretary of the Treasury (SOT) to establish within the Office of Domestic Finance of the Treasury Department an Office of Financial Stability to implement TARP.

Troubled Asset Relief Program (TARP)


Who is hurt by this law: All of the fall of 2008, people whose mortgage balances are not counted.

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investigating fraud, misrepresentation, and malfeasance in the sale of mortgages.

Amends the Financial Services Regulatory Relief Act of 2006 to accelerate from Oct. 1, 2011, to Oct. 1, 2008, the effective date for the Board of Governors of the Federal Reserve (Board) to: (1) pay interest on balances maintained at a Federal Reserve bank; and (2) employ increased flexibility to set reserve requirements for member banks.

Instructs the Board to submit periodic updates to Congress.

Directs the SOT to reimburse the Exchange Stabilization Fund for funds used for the Treasury Money Market Funds Guaranty Program for the U.S. money market mutual fund industry.

Prohibits the SOT from using the Exchange Stabilization Fund to establish future guaranty programs for U.S. Money market mutual fund industry.


Increases from $100,000 to $250,000, until Dec. 31, 2009, the amount of deposit and share insurance coverage offered under the Federal Deposit Insurance Act and the Federal Credit Union Act.

Executive Compensation

Prescribes program guidelines for: (1) executive compensation and corporate governance; (2) market transparency; (3) graduated authorization for the SOT to purchase troubled assets; (4) oversight and audits of the program by the Comptroller General.

Prescribes requirements for purchase/sale of assets by SOT, using market mechanisms that will minimize potential long-term negative impact on the taxpayer.

Directs the Comptroller General to: (1) oversee TARP activities and performance, (2) study and report to Congress on the current exercise of authorities created under this Act and their effect in assisting American families in preserving home ownership, stabilizing financial markets, and protecting taxpayers.

Oversight, Reporting, and Disclosure Requirements

Establishes the Office of Special Inspector General to report to Congress.

Establishes a new Financial Stability Oversight Council comprised of the Chair, SOT, Director of Federal Housing Finance Agency, Chair of SEC, and the Secretary of HUD to oversee and report to Congress on the authorities created under this Act and their effect in assisting American families in preserving home ownership, stabilizing financial markets, and protecting taxpayers.

Chair of SEC, and Chair of SOT.

Direct the SOT to submit periodic reports to Congress.

Revised the Financial Services Regulatory Relief Act of 2006 to expand the powers of the Financial Stability Oversight Council to include: (1) to order financial institutions to comply with emergency orders; (2) to direct increased scrutiny of financial institutions; and (3) to require financial institutions to report on their capital reserves.

Increases from $100,000 to $250,000, until Dec. 31, 2009, the amount of deposit and share insurance coverage offered under the Federal Deposit Insurance Act and the Federal Credit Union Act.

What the “law” ignores:

Glass-Steagall and other laws that stemmed from the Depression Era.


What Congress can do:

In 2009, Congress can pass:

S. 2636: Foreclosure Prevention Act of 2008: (1) authorizes use of the proceeds of a qualified mortgage bond issue to refinance a mortgage on a residence originally financed through a qualified subprime loan; (2) raise the ceiling and volume cap imposed upon certain state housing bonds; and (3) exclude from the meaning of tax preference item private activity bonds, for purposes of the alternative minimum tax. This act also raises the ceiling and volume cap imposed upon certain state housing bonds; and (3) excludes from the meaning of tax preference item private activity bonds, for purposes of the alternative minimum tax.