Subject: Risk Weight Reduction (Fannie Mae and Freddie Mac)

Date: Nov 23, 2008

Proposal: Minimum Capital Ratios; Capital Adequacy Guidelines; Capital Maintenance; Capital: Treatment of Certain Claims on, or Guaranteed by, the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac)
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Comments:

YOU CAN FIX THIS ECONOMIC CRISES If you have the luxury of being able to forward this proposal to somebody who will take this proposal seriously, and who is in a position to implement the policy proposed (US Congressman, Senator, Treasurer- whoever) that you are fixing to read, please do so. The future of this economy is in peril. Most people do not realize how serious this crises will become if the right policy steps are not taken. You have the opportunity to change the direction of Washington's thinking and to focus it on the real solution. These are desperate unprecedented times calling for unprecedented extraordinary measures. Our economy has never been here before. The problem with this economic crisis is fixable, with a lot less bureaucracy and regulation than what is going in Washington, DC right now. This is a consumer driven recession and it's going to have to be the consumer that will get us out of it. All these other economist keep saying that there needs to be a price correction/discovery and let the market take care of it. But they are all missing one simple point, that debt will not price correct easily. In fact it is quite difficult. For example, a basket of goods bought on CREDIT for $1000 last year will not correct in price if that same basket of goods cost $500 next year. The consumer who bought that basket of goods last year is still in debt for $1000 - plus interest. Very similar to what is happening in the housing market right now. This credit bubble is different from other types of bubbles. This bubble is going to continue to deflate into a vacuum unless dept is either paid up or forgiven. That is the bottom line. I clearly see what the problem is with all the treasuries efforts to fix this economic catastrophe. The money from the treasury is being allocated to non-productive companies (namely banks and car manufacturers) . How are these companies going to make any money in the near future with the middle class being dead in the water? And, how much do you think the GDP will soon decrease if you continue to throw money at non-productivity? You can give all the money you want to the banks, car manufacturers, etc., if they don't have the costumers to do business with they are not going to be productive and therefore non-profitable. The consumer is stressed for cash and has no credit. Look, the government returned money to the tax payer in the form of rebates earlier this year, but it was not enough. What the tax payer did with the money was either pay off debt or save the money, which is precisely what needs to be done first to save this economy. So, the tax rebate was exactly what this economy needed but is was hardly enough. So I ask you, what else can possibly be done to boost consumer spending and confidence that would be more effective than putting money directly into the tax payers hands? Nothing. The consumer needs a larger tax rebate. How about $250 Billion every quarter until the economy climbs out of this rut? Once these billions of dollars "trickles up" into the economy the GDP growth will trump any hint of inflation. The deflationary spiral is going to spin out of control if the consumer is not saved. Giving billions of dollars to these big companies in hope that it will “trickle down” to a consumer in a mountain of debt will never work. It’s classic “tickle down” economics that has not worked in the past without also helping the middle class tax payer to the same degree. Returning more money to the tax payer/consumer would have kept a majority of people from taking money out of mutual funds, 401 K, bank deposits etc. Some consumers would have paid mortgages, bought cars, paid off credit cards, etc. Many new home buyers would have even gotten into the home market. The economy is sinking into a deep hole. Either the CONSUMERS get the BAIL-OUT or none of us will ever be able to see the light of day for a very long, long time. The longer our government waits the more it will cost. My hope is that the Treasury Department is already planning to save the consumer in the same way aforementioned. If it is, my only concern to you is that this economic problem would have been a lot cheaper by correctly saving the consumer first. Think of the invisible hand of consumer sovereignty. The consumer will guide this economy out of this recession with a little capital and some tax relief. The only way to save this economy is from the bottom up, not from the top down. Imagine this statement coming out in a news bulletin: Henry Paulson states, “Today the Treasury Department decided the best and most quickest way to get the United States economy going again would be not to risk tax payer funds on credit risk companies but to return tax money directly to the tax payer. We will let the consumer spend their money on goods and services as they wish. If the consumer does not buy the goods and services you are selling so be it. Let the free markets decide.” Boy, would that be a surprise to the market. Are you starting to pick up what I am putting down here? That 800 pound gorilla, that’s been largely ignored in the room, is not Bear Strearns or Lehman Bros., it is the consumer. Thanks very much for your time. Its is very valuable and greatly appreciated. Kindest Regards, Albert Parks P.S. For now it would be in the country’s best interest to save the car manufactures with restructuring stipulations. The ripple effect through the economy if you let them fail would be quite grim.