

# Start Bankruptcy Reorganization With Homeowners and Bank Protection Act

On Aug. 22, the LaRouche Political Action Committee (LPAC) announced a mass mobilization, to get Congress, on return from recess after Labor Day, to enact the Homeowners and Bank Protection Act of 2007. This legislation, crafted by Lyndon LaRouche, is the only means, at this late date, for stopping millions of home foreclosures and evictions this year and next, and for launching a larger process of bankruptcy restructuring of the U.S. and global dollar-based financial system, which is now already doomed.

LaRouche has defined the purpose of this legislation as follows:

The crisis will proceed in successive phases. We have entered the first phase, which is typified by the collapse of a global real-estate bubble on which the entire current monetary-financial system hangs today. The

most immediate of these challenges, is being presented at this time. The U.S.A. and other governments must now react to the need for an immediate placing of home mortgages and chartered banks of the U.S. under bankruptcy protection by law. This measure is the indispensable lawful protection needed to prevent an uncontrollable, chain-reaction, hyperinflationary collapse of the present world monetary-financial system as a whole. An uncontrolled crisis of that type would be comparable to the chain-reaction set into motion by the Fourteenth-Century collapse of the House of Bardi.

Here are the essential features of the Homeowners and Bank Protection Act of 2007:

1. Congress must establish a Federal agency to place the

## FDR Defended Small Homeowners From Foreclosure, Usury

*President Franklin D. Roosevelt presented this Message to Congress on Small Home Mortgage Foreclosures, April 13, 1933.*

To the Congress:

As a further and urgently necessary step in the program to promote economic recovery, I ask the Congress for legislation to protect small home owners from foreclosure and to relieve them of a portion of the burden of excessive interest and principal payments incurred during the period of higher values and higher earning power.

Implicit in the legislation which I am suggesting to you is a declaration of national policy. This policy is that the broad interests of the Nation require that special safeguards should be thrown around home ownership as a

guarantee of social and economic stability, and that to protect home owners from inequitable enforced liquidation in a time of general distress is a proper concern of the Government.

The legislation I propose follows the general lines of the farm mortgage refinancing bill. The terms are such as to impose the least possible charge upon the National Treasury consistent with the objects sought. It provides machinery through which existing mortgage debts on small homes may be adjusted to a sound basis of values without injustice to investors, at substantially lower interest rates and with provision for postponing both interest and principal payments in cases of extreme need. The resources to be made available through a bond issue to be guaranteed as to interest only by the Treasury, will, it is thought, be sufficient to meet the needs of those to whom other methods of financing are not available. At the same time the plan of settlement will provide a standard which should put an end to present uncertain and chaotic conditions that create fear and despair among both home owners and investors.

Legislation of this character is a subject that demands our most earnest, thoughtful and prompt consideration.

Federal and state chartered banks under protection, freezing all existing home mortgages for a period of however many months or years are required to adjust the values to fair prices; restructure existing mortgages at appropriate interest rates; and write off all of the cancerous speculative debt obligations of mortgage-backed securities, derivatives, and other forms of Ponzi schemes that have brought the banking system to the present point of bankruptcy.

2. During this transitional period, all foreclosures shall be frozen, allowing American families to retain their homes. Monthly payments, the effective equivalent of rental payments, shall be made to designated banks, which can then use the funds as collateral for normal lending practices, thus recapitalizing the banking system. Ultimately, these affordable monthly payments will be factored into new mortgages, reflecting the deflation of the housing bubble, and the establishment of appropriate property valuations, and reduced fixed mortgage interest rates. It is to be expected that this process of shakeout of the housing market will take several years to achieve. In this interim period, no homeowner shall be evicted from his or her property, and the Federal and state chartered banks shall be protected, so they can resume their traditional functions, serving local communities, and facilitating credit for investment in productive industries, agriculture, infrastructure, etc.

3. State governors shall assume the administrative responsibilities for implementing the program, including the “rental” assessments to designated banks, under the authority of the Federal government, which will provide the necessary credits and guarantees to assure the successful transition.

By September-October, unless this legislation is enacted as a first order of business of the 110th Congress in September, many millions of Americans will be evicted from their homes, setting off a process of social chaos that must be avoided. The freezing of foreclosures is the vital first step in a thorough reorganization.

Under this plan, the Federal Reserve System will, itself, be put through bankruptcy reorganization, and transformed into a Third National Bank of the United States. As developed in LaRouche’s draft platform for the Democratic Party (see last week’s *EIR*), these actions shall be complemented by the creation, by treaty agreement among leading nation-states, of a new Bretton Woods system, based on fixed exchange rates, and long-term treaty agreements for large-scale development projects on a global scale.

The foreclosure tsunami is occurring, not as a result of a mere housing or mortgage crisis, but a disintegration of the entire global financial system. There is no bottom to this collapse—unless a legislative firewall is created now, and a halt is called to the income drain on the population, brought on by the hyperinflationary debt bubbles created by Alan Greenspan and his ilk.