sire to return to a sane form of existence for ourselves and our posterity, once more.

This present state of affairs demands a general reorganization-in-bankruptcy of financial accounts world-wide. There was a time when leading nations knew how to manage affairs so; we must choose to become that again, or else…

Reisteter's Letter

On Oct. 2, the Pennsylvania Bankers Association sent a letter to 41 of that state's legislators who are co-sponsoring House Resolution 418, which calls on Congress to enact the LaRouche PAC's Homeowners and Bank Protection Act. The foreclosure problem is limited to a small portion of the subprime market, the PBA says, and the banks are doing fine. Here, with the original emphasis, are excerpts of the letter from Daniel J. Reisteter, Vice President for Government Relations of the PBA, "Professionals Dedicated To Your Success":

I am writing on behalf of the Pennsylvania Bankers Association to express our deep concerns and correct some of the assertions made in House Resolution 418, introduced by Rep. Harold James today. House Resolution 418, of which you are a co-sponsor, is being promoted by the Lyndon LaRouche organization. It would memorialize Congress to take emergency action to protect homeowners and banks and enact a Homeowners and Banks Protection Act.

The Pennsylvania Bankers Association represents approximately 200 financial institutions of all sizes located throughout the Commonwealth including national and state banks, bank and trust companies, trust companies, savings institutions and their subsidiaries and affiliates.

PBA **strongly** disagrees with the assertions in the resolution that *"The onrushing financial crisis involving home mortgages, debt instruments of all types and the banking system of the United States threatens to set off an economic collapse worse than the Great Depression of the 1930s"* as well as *"This financial crisis threatens the integrity of both Federal and State chartered banks…"*…

Current conditions: To provide context, it helps to know the problem's dimensions. **Thirty-five percent of homeowners own their own home free and clear of a mortgage. Of those with mortgages, 94 percent are paying on time.** The problem lies within the subprime market, which is about 14 percent of the total market—only 85 percent of subprime borrowers are paying on time. The resetting of ARMS in all markets has caused and will continue to cause delinquencies. Home equity loans have also had trouble as the high loan-to-value of the entire debt is bumping against the falling housing prices in many markets.

Banks didn't cause this crisis, and it is the health and strength of the nation's banking industry that has kept it from being much worse.…

Most of the foreclosures we're seeing today are the result of particularly risky loans made by loosely regulated players in the mortgage market or because of worsening economic conditions in some regions.

• In the subprime market—which constitutes 14 percent of the total housing market—roughly 85 percent of subprime loans are being paid on time. That shows that most subprime borrowers have good loans they are capable of paying.…

The loan portfolios at federally insured banks and savings institutions are mostly untouched by the current subprime mortgage debacle.

Federally insured banks and savings institutions are very sound today and will be able to weather this economic downturn.…

Every bank will do its best to help customers who are overextended due to a subprime loan obligation from another lender. Unfortunately, many of these problems—created outside the banking system by loosely regulated participants in the mortgage market—will simply be impossible to fix.

Because federally insured banks and savings institutions maintained prudent lending practices throughout the real estate boom of the past few years, they will be able to keep mortgage dollars flowing to communities large and small.…

• While federally insured banks and savings institutions don't require perfect credit for a mortgage, they aren't going to make a loan that subjects the borrower or the bank to excessive risk.

In spite of recent bad news about subprime lending, the majority of borrowers with subprime loans are successful in buying a home and rebuilding their credit.

• Subprime mortgage loans were developed for borrowers with credit histories that disqualify them from standard mortgage loans. Subprime loans are not inherently "bad" or "predatory"—they are just less than Grade-A.

• The market works best when a wide range of options is available. Subprime loans used carefully and in the right situations are a viable option for some homebuyers.

• It's possible to rein in the irresponsible behavior of unregulated mortgage lenders without cutting off flexibility for borrowers with special circumstances.…