R045-0708

A RESOLUTION CONCERNING THE SUBPRIME MORTGAGE BAILOUT

WHEREAS: Lawmakers are currently considering providing aid to the 2.2 million Americans that are at risk of defaulting on loans and losing their homes; and,

WHEREAS: These people have taken out subprime mortgages, such as a mortgage that for the first five to ten years the borrower only has to pay interest on the mortgage; and,

WHEREAS: These also include "pick a payment" loans, where the borrower can choose to pay part, only interest, or a full monthly payment on the loans; and,

WHEREAS: These mortgages can also include mortgages that start with a fixed rate and quickly change to variable interest rates; and,

WHEREAS: A common type of a subprime mortgage is what is called a "2-28" mortgage, which will start with a fixed interest rate for the first two years and then changes to a higher adjustable rate for the remainer of the loan; and,

WHEREAS: Subprime borrowers are normally people with weakened credit histories that include payment delinquencies, and could have more severe problems such as charge-offs, judgments, and bankruptcies; and,

WHEREAS: Capital markets operate on the basic premise of risk versus reward, less creditworthy subprime borrowers represent a riskier investment, therefore lenders will charge them a higher interest rate than a borrower with a better credit rating would be charged for the same loan; and,

WHEREAS: The Senate is currently considering giving significant financial aid to the 2.2 million effect Americans; and,

WHEREAS: This financial aide would significantly add to our 9.2 trillion dollar national debt; and,

WHEREAS: This bailout would punish taxpayers who were not partaking in these risky ventures by making them pay for the financial aide that would be given by Congress; and,

WHEREAS: All parties involved in subprime mortgages should share in the consequences of their actions via financial and economic penalties because in a free market economy, both lenders and borrowers should be cognizant of the risks they take on in any business venture.

THEREFORE BE IT RESOLVED: That the Maryland Student Legislature urges President Bush to veto any bill that the Congress passes giving aide to subprime borrowers to prevent them from defaulting or losing their homes.

BE IT FURTHER RESOLVED: That the Maryland Student Legislature urges President Bush to veto any law the would give aide to subprime borrowers to prevent them from going out of business.

MANDATES: President George W. Bush
Nancy Pelosi, Speaker of the House
Harry Reid, Senate Majority Leader
Mitch McConnell, Senate Minority Leader
Steny Hoyer, House Majority Leader
John Boehner, House Minority Leader

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