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TAX OR TAP RESOLVING THE HOUSING CRISIS & CREDIT CRUNCH BY CHRISS STREET, ORANGE COUNTY TREASURER

The United States is being tested by the dual challenges of the housing crisis and the credit crunch. We must unite as a Nation to address our current challenges and insure that we are not vulnerable in the future.

The credit crunch, which began as a headache on Wall Street, is turning into a nightmare for all Americans. The collapse of the subprime mortgage industry and the collateral damage to the US Banking System is wreaking havoc on our nation. Our Financial institutions have curtailed their lending activities and have moved into survival mode after suffering huge loan losses. The economic fall-out has driven the value of the US dollar lower and unleashed an inflationary surge in the prices of oil and other commodities. Consumer confidence is collapsing and unemployment is rising fast.

Traditionally, Fannie Mae and Freddie Mac, as US government sponsored entities, have provided over 50% of US home loans. In times when banks and other lenders have cut back, Fannie and Freddie have increased their lending activities to fill the void. Unfortunately, worries that home prices will continue to fall has resulted in an over 80% decline in the stock prices of Fannie and Freddie. This has led many analysts to conclude that these companies are insolvent and that taxpayers will be forced to pay hundreds of billions of dollars to bail out these lending giants.

Some analysts are even predicting that a bail out would dramatically increase our national debt and result in a downgrade of the AAA credit rating of the United States. Such a chain of events would decimate the value of the US dollar and drive up interest rates for decades. American industry would be devastated and many American jobs would be permanently destroyed.

America is the third largest producer of oil in the world, but our economic dominance requires us to also be the largest user in the world. Although we are blessed as a nation with an abundance of undeveloped natural resources, our lack of a national resolve to become energy independent has resulted in our reliance on foreigners to supply 60% of our oil needs. This has allowed the price of oil to double over the last twelve months. America will be forced to pay OPEC nations, who often are not our friends, over \$700 million this year.

Now is the time for all Americans to join together to take decisive action to stabilize American home values, permanently knock oil prices down, strengthen the US dollar, drive interest rates lower, avoid crippling tax increase and set off one of the greatest economic surges in American history.

Our Nation's leaders have only two options; attempt to Tax our way out of the current economic woes, or Tap our vast wealth of natural resources. Increasing taxes would further devalue the competitive position of American Industry and will be met with a strong resistance from the tax paying public. Utilizing our untapped national resources as collateral for investment in home ownership would have the dual effect of ensuring homeowners have the ability to borrow while simultaneously driving down the price of oil.

I propose that we establish a National Mortgage Trust which would place the rights to our natural resources in a trust that would be used solely for the benefit of the public. These Trust assets would be pledged as collateral to support Fannie Mae and Freddie Mac loans. This is not an immediate commitment to drilling, but simply a commitment to increasing the asset base of Freddie and Fannie. The enhancement of the underlying viability of these entities would restore market confidence in these entities and result in enough money being available for lending to immediately stabilize the housing market.

This bold concept is quite simple; support Fannie Mae and Freddie Mac by pledging our natural resources as collateral. Although the US Government holds the rights for many of our nation's most promising known reserves, these valuable resources belong to the American people. Placing this treasure in the National Mortgage Trust will solve our current crippling economic malaise and re-position our nation for continued economic dominance in the future.