



## BARACK OBAMA: PROTECTING AMERICA'S MIDDLE CLASS

*I believe that Americans want to come together again behind a common purpose. Americans want to reclaim our American dream. That's why I'm running for President of the United States. It's the same reason I packed up my car and moved to Chicago. Because in this country, that dream is worth fighting for – not just for ourselves, but for each other. And that's why I don't think you should settle for a President who's only there for you when it's easy or convenient or popular – I think you deserve a President who you can trust will fight for your dreams every hour of every day for the next four years. That's the change we need... That's why I'm introducing an American Dream agenda – to put some wind at the backs of working people, to lower the cost of getting ahead, and to protect and extend opportunity for the middle class.*

[Barack Obama, Bettendorf, IA, 11/7/07]

## BARACK OBAMA: A CHAMPION FOR THE MIDDLE CLASS

### HEALTH CARE

**Increase Access and Lower Health Costs:** Barack Obama is committed to signing universal health legislation by the end of his first term in office that ensures all Americans have high-quality, affordable health care coverage. His plan will save a typical American family up to \$2,500 every year on medical expenditures by providing affordable, comprehensive and portable health coverage for every American; modernizing the U.S. health care system to contain spiraling health care costs and improve the quality of patient care; and promoting prevention and strengthening public health to prevent disease and protect against natural and man-made disasters.

**Expand Paid Sick Days:** Half of all private sector workers have no paid sick days and the problem is worse for employees in low-paying jobs, where less than a quarter receive any paid sick days. Barack Obama will require that employers provide seven paid sick days per year.

### TAX FAIRNESS

**Provide a Tax Cut for Working Families:** Barack Obama will restore fairness to the tax code and provide 150 million workers the tax relief they deserve. Obama will create a new "Making Work Pay" tax credit of up to \$500 per person, or \$1,000 per working family. This refundable income tax credit will provide direct relief to American families who face the regressive payroll tax system. It will offset the payroll tax on the first \$8,100 of their earnings while still preserving the important principle of a dedicated revenue source for Social Security. The "Making Work Pay" tax credit will completely eliminate income taxes for 10 million Americans. The tax credit will also provide relief to self-employed small business owners who struggle to pay both the employee and employer portion of the payroll tax. The "Making Work Pay" tax credit offsets some of this self-employment tax as well.

**Simplify Tax Filings for Middle Class Americans:** The Internal Revenue Service (IRS) estimated in 2004 that it took more than 28 hours for an individual to complete his/her tax filing, and that half of the taxpayers filing the "easy" forms ended up paying a tax preparer to do it for them. Barack Obama will dramatically simplify tax filings so that millions of Americans will be able to do their taxes in less than 5 minutes. Currently, the IRS receives Americans' financial information directly from employers and banks. Obama will

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ensure that the IRS uses this information to give taxpayers the option of a pre-filled tax forms to verify, sign and return to the IRS or online. This will eliminate the need for Americans to hire expensive tax preparers and to gather information that the federal government already has on file. Experts estimate that the Obama proposal will save Americans up to 200 million total hours of work and aggravation and up to \$2 billion in tax preparer fees.

### **WORK/FAMILY BALANCE**

**Expand the Family and Medical Leave Act (FMLA):** The FMLA covers only certain employees of employers with 50 or more employees. As a result, only about half of American workers are eligible for leave under the FMLA. Barack Obama will expand the FMLA to cover businesses with 25 or more employees. Barack Obama will expand the FMLA to cover more purposes as well. He will:

- Allow workers to take leave for elder care needs.
- Allow parents up to 24 hours of leave each year to participate in their children's academic activities at school. Many states, including California, Illinois, Massachusetts, Minnesota, Nevada, North Carolina, Rhode Island, Vermont, and the District of Columbia, have enacted laws that allow parents to take time off to participate in designated school-related functions.
- Allow leave to be taken for purposes of caring for individuals who reside in their home for 6 months or more.
- Expand FMLA to cover leave for employees to address domestic violence and sexual assault against themselves, their children, or their parents.

**Encourage States to Adopt Paid Leave:** According to the National Partnership for Women and Families, 78 percent of employees covered by the FMLA who have needed leave but have not taken it report that it is because they could not afford to take unpaid leave. Of those employees who could not afford leave, nearly 88 percent report that they would have taken leave if they had been able to receive some pay while away from work. Furthermore, access to paid leave is correlated with income and education, with low-income families least likely to have the resources or savings to compensate for time off. The states have begun to respond. California, for example, has recently initiated paid leave through its disability insurance fund, thereby making sure that the costs aren't borne by employers alone. As president, Barack Obama will initiate a 50 state strategy to encourage all of the states to adopt paid-leave systems. Obama will provide a \$1.5 billion fund to assist states with start-up costs and to help states offset the costs for employees and employers. Obama's Department of Labor will also provide technical information to the states on how to craft paid-leave programs consistent with their local needs.

**Expand High-Quality Afterschool Opportunities:** Expanding access to high-quality afterschool programs will help children learn and strengthen a broad range of skills and provide relief to working parents who have to juggle child care and work responsibilities. Barack Obama will double funding for the main federal support for afterschool programs, the 21st Century Learning Centers program, to serve one million more children. Obama will include measures to maximize performance and effectiveness across grantees nationwide.

**Expand the Child and Dependent Care Tax Credit:** The Child and Dependent Care Tax Credit provides too little relief to families that struggle to afford child care expenses. Currently the credit only covers up to 35 percent of the first \$3,000 of child care expenses a family incurs for one child and the first \$6,000 for a family with two or more children. And the credit is not refundable, which means that upper-income families disproportionately benefit while families who make under \$50,000 a year receive less than a third of the tax credit. Barack Obama will reform the Child and Dependent Care Tax Credit by making it refundable and allowing low-income families to receive up to a 50 percent credit for their child care expenses. Coupled with Obama's "Making Work Pay" tax credit, this proposal will help put more money directly in the pockets of hardworking low and middle-income parents.

**Protect Against Caregiver Discrimination:** Workers with family obligations often are discriminated against in the workplace. This is a growing problem, as evidenced by the skyrocketing number of discrimination suits being filed: there has been a 400 percent increase in the number of family responsibility discrimination lawsuits in the last decade. Obama will prevent parents from being discriminated against because of caregiving responsibilities. Barack Obama will commit the government to enforcing recently-enacted Equal Employment Opportunity Commission guidelines on caregiver discrimination.

**Expand Flexible Work Arrangements:** Working parents often have to juggle not only child care responsibilities, but also care responsibilities for elderly relatives. Barack Obama will address this concern by creating a program to inform businesses about the benefits of flexible work schedules for productivity and establishing positive workplaces; helping businesses create flexible work opportunities; and increasing federal incentives for telecommuting. Obama will also make the federal government a model employer in terms of adopting flexible work schedules and permitting employees to petition to request flexible arrangements. This program has achieved great success in Great Britain, and Obama will replicate it throughout the federal government.

## **EDUCATION**

**Improve Public Schools:** Barack Obama believes that public schools should provide our children with the skills and knowledge to succeed in the 21<sup>st</sup> century democracy. Barack Obama introduced a plan to support school districts that try new methods to improve student achievement and reward successful teachers and school leaders. Under his initiative, 20 districts across the country would get grants to develop innovative plans in consultation with their teacher unions. Successful teachers, and those who take on new responsibilities, such as mentoring new teachers, would be eligible for pay increases beyond their base salary. Successful school leadership, and successful teaching, can improve both the work environment for teachers and learning for students. These innovation districts would implement systemic reforms, and show convincing results that can be replicated in other school districts.

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**Create the American Opportunity Tax Credit:** Barack Obama will make college affordable for all Americans by creating a new American Opportunity Tax Credit. This universal and fully refundable credit will ensure that the first \$4,000 of a college education is completely free for most Americans, and will cover two-thirds the cost of tuition at the average public college or university. And by making the tax credit fully refundable, Obama's credit will help low-income families that need it the most. Obama will also ensure that the tax credit is available to families at the time of enrollment by using prior year's tax data to deliver the credit at the time that tuition is due, rather than a year or more later when tax returns are filed.

**Simplify the Application Process for Financial Aid:** The application process for financial aid is cumbersome and evidence shows it may be a reason why students never apply for college. Research has shown that the low take-up rate of the Pell Grant and HOPE and Lifetime Learning tax credit programs is likely due to the complexity of the application process. The current Free Application for Federal Student Aid (FAFSA) is 5 pages and 127 questions – making it longer and more involved than many federal tax returns. Not surprisingly, over 1.5 million high school students failed to apply for aid in 2004, despite being eligible for a Pell Grant. A recent study by Susan Dynarski and Judith Scott-Clayton found that the costs of complexity in our financial aid processes fall most heavily on low-income, non-white, and non-English speaking youth. Barack Obama will simplify the financial aid process by eliminating the FAFSA and its complicated calculations altogether.

Instead, aid would be based on a much simpler yet equally accurate formula, so that students can predict their eligibility well in advance. The aid process will be streamlined by enabling families to apply simply by checking a box on their tax form, authorizing their tax information to be used and eliminating the need for a separate application.

**Expanded Pell Grants for Low-Income Students:** Two decades ago, the maximum Pell Grant covered 55 percent of costs at a public four-year college, compared with only 32 percent today. The first bill Barack Obama introduced in the U.S. Senate would have helped make college more affordable for many Americans by increasing the maximum Pell Grant from the limit of \$4,050 to a new maximum of \$5,100. Obama has worked in a bipartisan way on the Senate Health Education Labor and Pensions Committee to achieve an increase in the Pell Grant to \$5,400 over the next few years. As president, Obama will continue to work to ensure that the maximum Pell Grant award is increased for low-income students. Specifically, he will ensure that the award keeps pace with the rising cost of college inflation.

**Community College Partnership Program:** Community colleges are a vital component of our higher education system, serving 12 million people each year, almost half the undergraduate students in the U.S. Without community colleges, millions of people would not be able to access the education and skills they need to further education or succeed in the workplace. Barack Obama will create a Community College Partnership Program to strengthen community colleges by providing grants to (a) conduct more thorough analysis of the types of skills and technical education that are in high demand from students and local industry; (b) implement new associate of arts degree programs that cater to emerging industry and technical career demands; and (c) reward those institutions that graduate more students and also increase their numbers of transfer students to four-year institutions. These efforts will ensure that community college students are able to directly use their skills in the workforce following graduation, and be prepared to continue their higher education. And the grants will support programs that facilitate transfers from two-year institutions to four-year institutions.

**Eliminate Costly Bank Subsidies:** Currently, there are two basic college loan programs: the Direct Loan system, funded publicly, and the Federal Family Education Loan Program, funded privately by banks and lenders who receive subsidies and guarantees from the government. Privately funded loans cost more per loan than the Direct Loan program and provide no greater benefits. Obama will save taxpayer money billions by eliminating the more expensive private loan program, and directing that money into aid for students.

### **PROTECT HOME OWNERSHIP**

**Create a Universal Mortgage Credit:** The tax code is supposed to encourage home ownership with a mortgage interest deduction, but it goes only to people who itemize their tax deductions. Like so much in our tax code, this tilts the scales toward the well-off. The current mortgage interest deduction excludes nearly two-thirds of Americans who do not itemize their taxes. Barack Obama will ensure that anyone with a mortgage, not just the well-off, can take advantage of this tax incentive for homeownership by creating a universal mortgage credit. This 10 percent credit will benefit an additional 10 million homeowners, the majority of whom earn less than \$50,000 per year. Non-itemizers will be eligible for this refundable credit, which will provide the average recipient with approximately \$500 per year in tax savings.

**Combat Mortgage Fraud and Subprime Loans:** The implosion of the subprime lending industry threatens to bring foreclosure to over two million households, including many families with children. Barack Obama has been closely monitoring this situation for years, and introduced comprehensive legislation over a year ago to fight mortgage fraud and protect consumers against abusive lending practices. Obama's STOP FRAUD Act provides the first federal definition of mortgage fraud, increases funding for federal and state law enforcement programs, creates new criminal penalties for mortgage professionals found guilty of fraud, and requires industry insiders to report suspicious activity. This bill also provides counseling to homeowners and tenants to avoid foreclosures. Finally, Obama's bill requires the Government Accountability Office to evaluate and report to Congress on various state lending practices so that state regulations that undermine consumer's rights can be

identified and hopefully eliminated.

**Create Fund to Help Homeowners Avoid Foreclosures:** In addition to taking important steps to prevent mortgage fraud from occurring in the future, Barack Obama will establish policies to help Americans currently facing foreclosure through no fault of their own. For instance, in communities where there are many foreclosures property values of innocent homeowners are often also negatively impacted, driving them toward foreclosure, too.

Obama will create a fund to help people refinance their mortgages and provide comprehensive supports to innocent homeowners. The fund will also assist individuals who purchased homes that are simply too expensive for their income levels by helping to sell their homes. The fund will help offset costs of selling a home, including helping low-income borrowers get additional time and support to pay back any losses from the sale of their home and waiving certain federal, state and local income taxes that result from an individual selling their home to avoid foreclosure. These steps will ensure that individuals who have to sell their homes will be able to quickly regain stable financial footing. The fund will be partially paid for by Obama's increased penalties on lenders who acted irresponsibly and committed fraud.

**Mandate Accurate Loan Disclosure:** Today's subprime mortgage problem stems in large part from the lack of easy-to-understand information that borrowers receive from mortgage brokers. As president, Barack Obama will enact laws to ensure that all prospective homebuyers have access to accurate and complete information about their mortgage options. Obama will create a Homeowner Obligation Made Explicit (HOME) score, which will provide potential borrowers with a simplified, standardized borrower metric (similar to the Annual Percentage Rate (APR), the effective interest rate that the borrower will pay on a loan) for home mortgages. The HOME score will allow individuals to easily compare various mortgage products and understand the full cost of the loan. The HOME score would also help borrowers understand their long-term obligations and would be required to include mandatory taxes and insurance.

### **BANKRUPTCY/CREDIT CARD REFORM**

**Reform Corporate Bankruptcy Laws to Protect Workers:** Workers risk losing everything when their company goes bankrupt. Too many employees have worked hard, played by the rules and contributed to private pensions only to find themselves left in the lurch when their companies went bankrupt. Current bankruptcy laws are designed to protect banks before workers by helping companies get capital to get back on their feet, but in so doing it has made it easier for bankrupt companies to shed pension and health care obligations to retired workers.

Barack Obama has supported efforts to force firms to put more money into their pension funds and make them solvent so workers aren't left with a bunch of worthless IOU's after thirty years of service. As president, Obama will:

- Put promises to workers higher on the list of debts that companies cannot shed.
- Ensure that the bankruptcy courts do not allow companies to demand more sacrifice from workers than from executives when companies fall on hard times.
- Protect the jobs and benefits of workers and retirees when corporations file for bankruptcy by telling companies that they cannot issue bonuses for executives during bankruptcy while their workers watch their pensions disappear.
- Increase the amount of unpaid wages and benefits workers can claim in bankruptcy court against their employer.
- Limit the circumstances under which retiree benefits can be reduced.

**Reform Bankruptcy Laws to Protect Families Facing a Medical Crisis:** More than half of all personal bankruptcies today are caused by medical bills. Barack Obama will protect workers who fall into personal

bankruptcy as a result of a medical crisis. Current law, which Obama opposed in the 2005 bankruptcy bill, provides too many families with inadequate relief when faced by an unforeseen medical crisis. Obama will create an exemption from the new law's requirement that middle class families extend their debts rather than have them forgiven. If a person can demonstrate to the satisfaction of the bankruptcy court that the reason they filed for bankruptcy was a result of debts incurred through medical expenses, then Obama believes they should be relieved of that debt through a process that lets them get back on their feet.

**Close Bankruptcy Loophole for Mortgage Companies:** The 2005 bankruptcy bill, which Barack Obama opposed, is expected to have serious effects on low and middle-income borrowers of subprime mortgages. While investors who own multiple homes and people with vacation homes can renegotiate those mortgages in bankruptcy, current Chapter 13 law requires ordinary families to stick with the original terms of their home loans—regardless of whether the loan was predatory or unfair. Obama will repeal this provision so that ordinary families do not suffer this unfair treatment.

**Cap Outlandish Interest Rates on Payday Loans and Improve Disclosure:** In the wake of reports that some service members were paying 800 percent interest on payday loans, the U.S. Congress took bipartisan action to limit interest rates charged to service members to 36 percent. Barack Obama believes that we must extend this protection to all Americans, because predatory lending continues to be a major problem for low and middle income families alike. Obama also believes that we need to ensure that all Americans have access to clear and simplified information about loan fees, payments and penalties, which is why he'll require lenders to provide this information during the loan application process. Furthermore, Obama will work to empower more Americans in the fight against predatory lending by supporting initiatives to improve financial literacy and financial planning.

**Encourage Responsible Lending Institutions to Make Small Consumer Loans:** Some mainstream, responsible lending institutions are beginning to enter the short-term lending market to provide many Americans with fair alternatives to predatory lending institutions. These loans provide a reasonable period of time to be repaid, charge fair interest rates, and often ensure that the borrower has the ability to repay the loan on time. Some of these lending efforts are coupled with enhanced financial literacy training, which can ensure that Americans do not become caught in a never-ending cycle of debt. Barack Obama will work with his Secretary of Treasury and the Federal Deposit Insurance Corporation to encourage banks, credit unions and Community Development Financial Institutions to provide affordable short-term and small dollar loans – and to drive the sharks out of business.

**Create a Credit Card Rating System to Improve Disclosure:** Barack Obama will create a credit card rating system, modeled on five-star systems used for other consumer products, to provide consumers an easily identifiable ranking of credit cards. Under the Obama plan, the Federal Trade Commission (FTC) will assess the degree to which credit cards meet consumer-friendly standards. The FTC will test for a set of credit card features that are deemed the most dangerous for consumers, including the underwriting standards used to issue the card, the card's interest rate spread between the introductory rate and the maximum rate allowed, and transaction fees. The FTC will assign ratings so that consumers can easily understand if a credit card agreement meets or exceeds standards of safety. Credit card companies will be required to display the rating on all application and contract materials, enabling consumers to quickly understand all of the major provisions of a credit card without having to rely exclusively on fine print in lengthy documents. Credit card companies will also be required to disclose in simplified, clear language all of the major features of the card in addition to their FTC rating to provide consumers with additional information to compare credit card products.

**Establish a Credit Card Bill of Rights to Protect Consumers:** Credit cards could turn into the next subprime market crisis, and New Hampshire families have among the highest personal debt levels in the country. In addition to being able to easily understand how risky a given credit card is, every American should have a uniform set of rights while dealing with credit card companies, no matter their financial status or credit history.

To protect those rights, Barack Obama will require the Federal Trade Commission to analyze credit card company compliance with these basic rights, and provide the Department of Justice with the full authority to investigate and penalize non-compliant companies. The Obama credit card bill of rights will:

- **Ban Unilateral Changes:** Currently, credit card companies can unilaterally change the terms of a credit card agreement at any time for any reason with only a 15-day notice to the consumer. Barack Obama will ban these unilateral changes in credit card agreements unless companies have obtained written consent from consumers and have followed the rules and terms of the agreement.
- **Apply Interest Rate Increases Only to Future Debt:** Credit card companies often apply increased interest rates to both new debt incurred by the cardholder, as well as previously incurred debt. Barack Obama will require increased interest rates to apply only to future credit card debt, and not to debt incurred prior to the increase.
- **Prohibit Interest on Fees:** Credit card companies often charge interest on transaction fees, such as late fees or paying a bill by telephone. Barack Obama will prohibit credit card issuers from charging interest on transaction fees.
- **Prohibit “Universal Defaults”:** “Universal defaults” are a practice in which a credit card company raises an individual’s interest rate based on failure to pay a different creditor on time. Barack Obama will prohibit this practice.
- **Require Prompt and Fair Crediting of Cardholder Payments:** Barack Obama will require credit card issuers to apply payments first to the credit card balance with the highest rate of interest and to minimize finance charges.

### AMERICAN JOBS

**Support Job Creation:** Barack Obama believes we need to double federal funding for basic research, expand the deployment of broadband technology, and make the research and development tax credit permanent so that businesses can invest in innovation and create high-paying, secure jobs. As president, Obama will make long-term investments in education, language training, and workforce development so that Americans can leverage our strengths – our ingenuity and entrepreneurialism – to create new high-wage jobs and prosper in a global economy.

**Fight for Fair Trade:** At 7 percent of Gross Domestic Product, our trade deficit has never been higher. Barack Obama will fight for a trade policy that opens up foreign markets to support good American jobs. He will use trade agreements to spread good labor and environmental standards around the world and stand firm against agreements like the Central American Free Trade Agreement (CAFTA) that fail to live up to those important benchmarks. Obama will also pressure the World Trade Organization to enforce trade agreements and stop countries from continuing unfair government subsidies to foreign exporters and nontariff barriers on U.S. exports. Obama will fight for stronger protections for U.S. intellectual property, and – in the case of China in particular – an end to an artificially devalued currency that puts U.S. companies at a perpetual disadvantage.

### RETIREMENT SECURITY

**Strengthen Social Security:** Barack Obama recognizes that Social Security is indispensable to workers and seniors, and it is probably the most important and most successful social program in our nation’s history. Obama is committed to making sure Social Security is solvent and viable for the American people, now and in the future. He will be honest with the American people about the solvency of Social Security and the ways we can address the real, but manageable, funding shortfall. Obama will make it a top priority of his administration to protect Social Security benefits for current and future beneficiaries alike. And he does not believe it is necessary or fair to hardworking seniors to raise the retirement age. Obama will also continue his long record of opposing the privatization of Social Security.

Barack Obama believes that the first place to look to strengthen Social Security is the payroll tax system. Currently, the Social Security payroll tax applies to only the first \$97,500 a worker makes. Obama supports

increasing the maximum amount of earnings covered by Social Security, and he will work with Congress and the American people to choose a reform package that will keep Social Security completely solvent for at least the next half century.

**Create Automatic Workplace Pensions:** Currently, 75 million working Americans – roughly half the workforce – lack employer-based retirement plans. Even when workers are given the option of joining employer-based plans, many do not take up the option because it requires considerable work to research plans and investment portfolios, and enroll in the plan. Barack Obama’s retirement security plan will automatically enroll workers in a workplace pension plan. Under his plan, employers who do not currently offer a retirement plan, will be required to enroll their employees in a direct-deposit IRA account that is compatible to existing direct-deposit payroll systems. Employees may opt-out by signing a written waiver. Even after enrollment, employees will retain the right to change their savings levels, reallocate investment portfolios or end contributions to the account. Obama’s plan will give options to the self-employed and new small businesses to access new easy-to-enroll savings plans and direct the IRS to deposit tax refunds into those savings plans for people who choose to save some of their refunds. Under the Obama plan when employees change jobs, their savings will be automatically rolled over into the new employer’s system to ensure continued savings. Experts estimate that this program will increase the savings participation rate for low and middle-income workers from its current 15 percent level to around 80 percent.

**Expand Retirement Savings Incentives for Working Families:** Barack Obama will ensure savings incentives are fair to all workers by creating a generous savings match for low and middle-income Americans. Obama will expand the existing Savers Credit to match 50 percent of the first \$1,000 of savings for families that earn under \$75,000, and he will make the tax credit refundable. To help ensure that this proposal actually strengthens retirement investments, the savings match will be automatically deposited into designated personal accounts by using the account information listed on IRS tax filings. Coupled with the automatic workplace pension plan, this proposal will stimulate tens of millions of new Americans to invest for retirement. Over 80 percent of the savings incentives will go to new savers, and 75 percent of people eligible for the incentives who are expected to participate in the new program do not currently save.

**Require Full Disclosure of Company Pension Investments:** Barack Obama believes we must ensure private companies properly fund their pension plans so taxpayers do not end up footing the bill. However, even when companies fund their pensions, many do not disclose their investments with the employee’s pension dollars. This lack of transparency can make it easier for fund managers to make imprudent or even fraudulent investment decisions. Obama will ensure that all employees who have company pensions receive annual disclosures about their pension fund’s investments, including full details about which projects have been invested in, the performance of those investments and appropriate details about probable future investments strategies. This measure will provide employees and retirees important resources to make their pension fund more secure.