



## BARACK OBAMA: A SECURITY AND SUCCESS AGENDA FOR AMERICAN FAMILIES

Barack Obama believes that every American family deserve the opportunity to not just get by, but to get ahead in our economy – to get an education, build a nest egg and provide a better life for their children. As the economy has changed American families are being left on their own to navigate an increasingly complex and challenging economic situation. A successful economy is one that grows and allows American families to achieve their aspirations, like building up wealth, owning a home, or sending a child to college. A strategy for security and success of America’s families has three parts:

1. **Get the economy back on track with a \$50 billion stimulus.** The most immediate challenge to the success of America’s families is the current state of our economy. The economy has shed 438,000 jobs this year, six straight months of job loss, as the housing crisis deepens, energy and food prices soar, and consumer expectations for the future are at the lowest level ever recorded. Barack Obama is calling for a second round of \$50 billion in stimulus to jump start the economy which would complement the investments in infrastructure and green jobs that he has proposed as part of his overall economic plan.
2. **Provide economic security for all American families.** Even before the current economic downturn families were facing increased challenges. Wages have been stagnant for a generation. The typical household has seen its income fall by nearly \$1,000 in this economic “expansion.” Health costs have jumped 67 percent in inflation-adjusted terms since 2000, while 8.6 million more Americans have joined the ranks of the uninsured. Millions of families face mounting debt and the prospect of losing their homes. To address these issues Barack Obama is proposing a meaningful tax cut for working families, a plan to cut health costs by \$2,500 per family and cover all of the uninsured, protections for consumers suffering from abusive lending practices, and a safety net for the most vulnerable families.
3. **Empower American families to achieve success.** Barack Obama believes that every American family deserve the opportunity to not just get by, but to get ahead in our economy – to get an education, build a nest egg, own a home and provide a better life for their children. That is why he proposes to make it easier and more rewarding for families to save, own a home, balance work and family, provide a \$4,000 tax credit to make college affordable for everyone, and eliminate capital gains taxes for small businesses and start-up companies so that Americans can accumulate wealth and succeed.

## **(1) Get the Economy Back on Track With a \$50 Billion Stimulus**

Barack Obama has been a leader in calling for action to address our faltering economy. In January, 2008, Obama outlined an aggressive fiscal stimulus plan with rebate checks for workers and assistance for struggling homeowners. His plan offered a blueprint for the stimulus package that was ultimately enacted. He also warned that if the economy worsened, Washington should come together to pass another round of stimulus.

In the subsequent months, we have seen our labor market deteriorate – with 438,000 lost jobs in the past 6 months – and our housing crisis deepen. Workers wages have continued to lag behind the skyrocketing cost of energy, food and healthcare and consumer confidence has fallen to record lows. That is why, on June 9, Barack Obama called for another round of stimulus. Obama’s \$50 billion emergency package would help offset the impact of \$4.00 a gallon gas for American families and work to counteract the negative impact of our economic slowdown. Senator Obama has called on John McCain and Republicans in Congress to come together and pass this measure immediately, before more families are left out of work, out of their home and with unmanageable expenses. As Obama explained on July 3, “let’s show the American people that we can come together, Republicans and Democrats, to ease the burden on working families let’s not wait another 6 months for more bad news.” Obama’s \$50 billion stimulus package includes:

- **An additional round of rebate checks for working families to help offset the impact of \$4.00 a gallon gas and skyrocketing food, health and college costs.**
- **A \$10 billion *Foreclosure Prevention Fund* to provide struggling homeowners with pre-foreclosure counseling and refinancing assistance to help them stay in their homes.**
- **\$10 billion in relief for state and local governments hardest hit by the housing crisis to prevent cuts in services such as health, education and infrastructure.**

In addition, Obama believes that Congress should seek to provide immediate funding address our most urgent infrastructure needs. By making an upfront investment in the long term infrastructure agenda that Barack Obama has outlined, Congress can help offset the contraction in infrastructure spending at the state and municipality level and help create jobs in construction and other hard hit sectors of our labor market. Numerous experts including former Treasury Secretary Lawrence Summers have identified targeted infrastructure investments as an effective short term measure to spur economic growth and job creation.<sup>1</sup>

## **(2) Provide Economic Security for All American Families**

**A Meaningful Tax Cut for Working Families:** Barack Obama will help relieve the financial burdens on middle class families and 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.

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<sup>1</sup> Lawrence Summers, “What we can do in this dangerous moment,” *Financial Times*, June 29, 2008.

**Universal Health Care Coverage 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.

**Protect Consumers from Abusive Credit Card Lending Practices:** As strapped consumers face mounting bills and declining home values, credit cards could turn into the next subprime market crisis. Barack Obama believes that every American should have a uniform set of rights while dealing with credit card companies, no matter their financial status or credit history. He will create a Credit Card Bill of Rights to ban unilateral changes, apply interest rate increases only to future debt, prohibit interest on fees, prohibit universal defaults, and require prompt and fair crediting of cardholder payments. 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. In addition, 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. 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.

**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.

**Help Working Families Move Into the Middle Class:** Since 2000, nearly 5 million Americans have fallen into poverty. Millions more live just above the poverty line and struggle every day to provide for their families. Barack Obama believes that everyone who works deserves a chance to move out of poverty and into the middle class. He has an aggressive plan to combat poverty, reward work and ensure that low-income families has the tools they need to succeed. Obama will raise the minimum wage to \$9.50 by 2011 and index it to inflation after that. He will increase the number of working parents eligible for EITC benefits, increase the benefits available to parents who support their children through child support payments, increase benefits for families with three or more children, and reduce the EITC marriage penalty, which hurts low-income families.

And he will provide meaningful tax relief for low-income working families with a refundable Making Work Pay tax credit, and refundable tax credits for college and retirement. To help expand access to good, high-paying jobs, Obama will invest \$1 billion over five years in transitional jobs and career pathway programs and create a Green Jobs Corps to engage disadvantaged youth in energy efficiency opportunities to strengthen their communities and get skills in high-growth professions. He will work to strengthen families by promoting responsible fatherhood and expanding nurse-home partnerships to support low-income first time mothers. And he will tackle concentrated poverty by establishing 20 Promise Neighborhoods in high-poverty urban areas and will invest in rural small businesses and fight to expand high-speed Internet access to bring economic opportunity to rural areas.

### **(3) Empower American Families to Achieve Economic Success**

**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. 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.

**Securing Homeownership For American Families:** At a time when costs are rising for energy, food, health care and education, Barack Obama believes we must take every responsible step to help struggling families stay in their homes. Obama has worked with Senate Banking Committee Chair Chris Dodd (D-CT) to advocate for a new Federal Housing Administration (FHA) program that will provide meaningful incentives for lenders to buy or refinance existing mortgages and convert them into stable 30-year fixed mortgages. Obama has also introduced the STOP FRAUD Act to crack down on unscrupulous lending practices and help prevent future housing crises. This 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. Obama will also create a Homeowner Obligation Made Explicit (HOME) score, which will provide potential borrowers with a simplified, standardized borrower metric (similar to APR) for home mortgages. Finally, Obama will ensure that middle-class Americans get the financial assistance they need to purchase or keep their own home by creating a 10 percent universal mortgage credit that gives tax relief to all Americans who have a home mortgage. This will, effectively, cut 10 percent off the interest rate paid by 10 million homeowners, most of whom earn under \$50,000 per year.

**Making it Easier for Americans to Balance Work and Family:** As larger percentages of women have entered the workforce, working hours have grown longer, and workers find themselves caring for their aging and infirm parents, family caregiving has been stressed and stretched. Most American workers cannot adjust their work schedules to handle a family emergency without the risk of losing their jobs or take a day off to care for a sick or newborn child without the risk of losing pay or vacation days. As president, Barack Obama will ensure that our government's policies match the reality of our working lives. He will expand access to high-quality afterschool programs and expand the Child and Dependent Care Tax Credit to help reduce the cost of childcare for working parents. He will extend the Family Medical Leave Act to cover businesses with 25 or more employees and to let workers take time off to care for their parents, participate in their children's school activities, or to address domestic violence and sexual assault against themselves, their children, or their parents. He will ensure that every worker has access to seven days of paid sick leave, and will ensure that parents are not discriminated against because of their care giving responsibilities. And he will launch a national effort to encourage every state in the U.S. to adopt paid leave systems.

**Make College Affordable For All Americans:** A college education is increasingly vital for success in the American economy. Barack Obama will make college affordable for all Americans by creating a new American Opportunity Tax Credit. This 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. Obama will 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. He will make it easier to apply for financial aid by allowing families to submit their aid information by simply checking a box on their tax form. And he will work to ensure that the maximum Pell Grant award is increased for low-income students and will eliminate federal subsidies to private student loan companies.

**Provide Tax Relief for Small Businesses and Start Ups:** Small businesses are the engine of job growth in our economy and for millions of Americans are a tool to help innovate, build wealth and achieve the American dream. Barack Obama understands that many small business owners are struggling to succeed as health care and energy costs continue to skyrocket. He believes that we need to make it easier for small businesses to succeed. That is why he has called for eliminating all capital gains taxes on start-up and small businesses. This reform will provide meaningful tax relief to small businesses, while encouraging innovation and job creation. Obama will also work to expand federal lending to small businesses and will create a new national network of public-private business incubators to facilitate the work of entrepreneurs in creating start-up companies.