



Senator Eliot Shapleigh

District 29

Texas Press Release

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"THE PREDATOR'S KING"

"Now, under Perry, Texas predatory lenders lead America in new and innovative ways to get into your wallet. While Kay Bailey may be Rick Perry's bailout queen, Rick Perry is Texas' predator's king."

Over the last few months, Rick Perry has gained political points by calling Kay Bailey Hutchison "[Kay Bailout](#)." What's the real story here?

The real story is that [Rick Perry himself supported Bush's bailout](#), and put in place people and policies to protect predatory lenders who now charge interest as [high as 1100 percent on the streets of Texas](#).

More than any other Governor in the United States, he has made possible a culture of greed in Texas that has given rise to predatory practices, risky lending and banks too big to fail that created the need for Bush's bailout in the first place. And for his support, his campaign has been paid exceedingly well. Let's take a look.

What about Bush's bailout--just who got the billions in bailout money in Washington, D.C. and what did Rick Perry say about it then?

As of February 9, 2009, [\\$388 billion of the \\$700 billion financial bailout package](#) enacted during the Bush administration had been allocated, and \$296 billion spent, according to the [Committee for a Responsible Federal Budget](#). The funds committed under the Troubled Asset Recovery Program (TARP) established under Bush include:

- \$250 billion to purchase bank equity shares through the [Capital Purchase Program](#) (\$195 billion spent, including Bank of America Corporation, Bank of New York Mellon Corporation, Citigroup Incorporated, Goldman Sachs Group Incorporated, and JP Morgan Chase & Company);
- \$40 billion to purchase preferred shares of [American International Group](#) (AIG) through the program for Systemically Significant Failing Institutions (\$40 billion spent);

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- \$20 billion to back any losses that the [Federal Reserve Bank of New York](#) might incur under the [Term Asset-Backed Securities Loan Facility](#) (none spent);
- \$40 billion to purchase Citigroup and Bank of America stock (\$20 billion each) through the Targeted Investment Program (\$40 billion spent);
- \$12.5 billion in loan guarantees for Citigroup (\$5 billion) and Bank of America (\$7.5 billion) through the Asset Guarantee Program (none spent); and,
- \$30 billion in loans to automakers and their financing arms through the Automotive Industry Financing Program (\$30 billion spent at General Motors).
- Except for the \$30 billion for the auto industry, almost all of the \$388 billion has been allocated to bail out AIG, Bank of America, J.P. Morgan Chase, Morgan Stanley, Wells Fargo and Company, and other banks termed "too big to fail." The toxic mortgages that formed the basis for the bailout were based on fees, overdrafts, selling and reselling securitized toxic home loans based on collateral values that did not add up, and ARMs that could never be paid.

As Paul Krugman said, "here's the real tragedy of the botched bailout: Government officials, perhaps influenced by spending too much time with bankers, forgot that if you want to govern effectively you have retain the trust of the people."

[Both U.S. Texas Senators, John Cornyn and Kay Bailey Hutchison](#), joined 31 of their Republican colleagues in voting for TARP. Senator Kay Bailey Hutchison, who is now running against incumbent Texas Governor Rick Perry, has now become Rick Perry's favorite target. Day after day, he calls her "[Kay Bailout](#)" as he campaigns before "Tea parties" venting fury against spending in Washington, D.C.

Texas Gov Rick Perry speaks at Austin Tea Party



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But what about Perry's real record? In a joint letter to Congress dated October 1, 2008, [Rick Perry joined the Governor of West Virginia in urging Congress to pass the \\$700 billion industry bailout](#), signaling his real reasons for supporting the taxpayer funded TARP.

A quick scan of campaign contributions reveals why Perry would support the financial industry bailout. During 2008, the same companies that allocated \$295 billion in bailout money spent [\\$114 million](#) on lobbying and campaign contributions at the federal level. These same companies contributed [\\$20.4 million](#) to statewide candidates from 2000 to 2007. During this time, [Rick Perry received the fourth-largest sum of contributions from the companies that benefited from TARP](#). The Texas Lieutenant Governor, Attorney General and Speaker of the House were also among the top 10 recipients among U.S. lawmakers.

In 2001, as chair of a Texas Senate Business and Commerce subcommittee created by then Committee Chairman Senator David Sibley, [I reported on trends in local lending practices in Texas](#). Our Report, titled "Access to Capital and Credit," found epidemic rates of subprime lending in Texas for refinance loans, a scourge that persists today. Back then, seven of the ten highest mortgage interest rate areas in the nation were in Texas.

The new incoming chair, Senator Troy Fraser (R-Horseshoe Bay), boyhood friend of Rick Perry then proceeded to stop the report and keep its findings from the Senate. He ordered the report to not be printed - forcing us to print the report at our own expense and append it as a minority report. In response, we [delivered findings to Governor Rick Perry, Lt. Governor David Dewhurst](#), Alan Greenspan and the Dallas Federal Reserve Bank.

In December 2004, Countrywide Financial Corporation moved its headquarters to Dallas after receiving a \$20 million grant from Perry's Texas Enterprise Fund. On its way to becoming the nation's largest mortgage lender, Countrywide encouraged its sales department to lure potential borrowers into high-cost and often unfavorable loans that resulted in richer commissions, higher fees to the company's affiliates servicing the loans, and soaring stock prices that made the company's executives among the highest paid in the nation. [Countrywide's predatory practices resulted in a consolidated class action lawsuit by Attorney Generals in California, Connecticut, Illinois and Florida](#) accusing [Countrywide of steering borrowers into risky and inappropriate subprime mortgages](#) irrespective of their suitability to borrowers in order to maximize profits.

While Attorney Generals around the U.S. have now settled the Countywide class action fraud claims for a total of [\\$8.4 billion](#), to date no action has been taken by Texas to require the repayment of grant money in response to [Countrywide's failure to produce the jobs](#) and benefits that the Texas Enterprise Fund requires by [law](#) and contract.

While other Republican Governors like Georgia's [Sonny Perdue](#) have taken strong stands against usury and predatory lenders, during his tenure as governor, Perry has turned Texas into a playpen for financial predators. In March 2009, Perry appointed [William White](#), an oversight entity purportedly established to ensure that consumer loan companies, banks, and savings and loans operate responsibly. Yet, before assuming his new regulatory role, White had served since 1988 as the vice president for governmental affairs for Cash America International—[a company whose main innovation is offering predatory loans online, now the largest source of company revenues](#).

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In Texas today, predatory loans now carry interest rates up to 1100 percent per year. From 2000 to 2006 predatory lenders spent more than \$700,000 in political contributions to Texas politicians with Rick Perry at the top of the list.

Before Rick Perry, responsible leaders throughout Texas history made debtor protections a hallmark of Texas values. Following the Texas revolution in 1836, the new Republic of Texas [advertised in east coast newspapers to lure debtors here](#). As a new nation on the frontier with Mexico, Sam Houston and others feared that Santa Ana might return, so early Texas did everything possible to lure debtors here—to settle, thrive and defend Texas. Often, people fleeing crushing debt in other parts of the country would scrawl in chalk on the doors of their abandoned houses the initials [G.T.T.](#) for "Gone to Texas." In fact, Texas mortgage loan and bankruptcy protections have historically been the strongest debtor protection laws in the U.S., until Rick Perry got the keys to the Governor's mansion.

Now, under Perry, Texas predatory lenders lead America in new and innovative ways to get into your wallet. While Kay Bailey may be Rick Perry's bailout queen, Rick Perry is Texas' predator's king.

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