As Obama pledges more bailouts

US banks step up home foreclosures

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One day after President Barack Obama defended the multi-trillion-dollar bailout of the banks and pledged to funnel more taxpayer funds into their coffers, the *Wall Street Journal* published a front-page article headlined "Banks Ramp Up Foreclosures."

The article reported that some of the country's largest mortgage companies and banks, including those that have received billions of dollars in government handouts, have sharply increased their foreclosure filings since Obama announced his "Homeowner Affordability and Stability Plan" last month. Among the firms mentioned were JPMorgan Chase, Wells Fargo and the mortgage finance giants Fannie Mae and Freddie Mac. These four companies alone have received upwards of $450 billion in government cash and loans.

Coming on the heels of Obama's economic policy speech, in which he cited as the keys to economic "recovery" the continued taxpayer bailout of Wall Street combined with downsizing and wage-cutting in the auto industry, health care "reform" to cut corporate health insurance liabilities, and major cuts in social spending, including for basic programs such as Medicare, Medicaid and Social Security, the *Journal* article underscores the class interests that drive the administration's policies.

Obama is providing massive subsidies to the very banks and financial firms that are boosting their profits by intensifying their assault on the working class.

The *Journal* article followed a report Tuesday on "NBC Nightly News," broadcast within hours of Obama's speech at Georgetown University, that millions of Americans are being notified by banks and credit card companies which have received government bailouts that their credit card interest rates and fees are being sharply increased.

The NBC report cited Bank of America, which has received $50 billion in handouts under the Troubled Asset Relief Program (TARP) plus more than $300 billion in government guarantees on its bad debts, Citigroup, which has received $45 billion in TARP money plus a similar guarantee on its debts, JPMorgan Chase ($25 billion in TARP money), American Express ($3.39 billion in TARP funds) and Capitol One ($3.55 billion in TARP money) as among the bailed-out firms that are ratcheting up their credit card fees and interest rates. Capitol One, the report noted, has jacked up its rates to as high as 29 percent.

The report noted that in addition to the TARP money, the firms are benefiting from government loans at virtually zero interest.

The *Journal* article on foreclosures indicated that the administration's housing scheme, far from providing relief for most families facing foreclosure, has facilitated the efforts of banks and mortgage companies to drive distressed borrowers out of their homes.

The Obama plan, announced in early March following intensive consultations with bankers and mortgage lenders, bowed to industry demands that there be no reduction in the principal owed by homeowners. It was crafted to provide lower interest payments to only a small fraction of the millions of delinquent borrowers.

The *Journal* cited an official at the mortgage division of GMAC, the financial arm of General Motors and another TARP recipient, who said that to date only some "10 percent of borrowers in some stage of foreclosure appear to be eligible for the federal program."

Banks and mortgage lenders had initiated internal moratoriums on foreclosures while they awaited the administration's announcement of its housing plan. Now these moratoriums have been lifted and the companies are systematically reviewing their mortgage accounts to determine which borrowers are ripe for foreclosure.

Foreclosure-related filings rose by nearly 6 percent in February from the previous month, according to the *Journal*, and were up almost 30 percent from February 2008. Meanwhile, the backlog of seriously delinquent home loans has been growing, in tandem with the surge in layoffs.

The *Journal* noted: "In California, notices of trustee sales, which are preludes to foreclosure sales, climbed by more than 80 percent to 33,178 in March, from February, according to data from ForeclosureRadar.com and the Field Check Group."

The article cited an official with Lazard Asset Management who expects home prices to fall 22 percent to 27 percent from their January levels. It said, citing Moody's Economy.com, that more than 2.1 million homes will be foreclosed this year, up from 1.7 million in 2008.

The article quoted Michael Thompson, director of Iowa Mediation Service, as saying, "We're getting so many of these cases where people don't fit the new [Obama] program."

These are indices of a social catastrophe that is enveloping ever wider layers of the population, even as Obama, his top economic adviser Lawrence Summers and Federal Reserve Chairman Ben Bernanke point to rising stock prices and a revival in bank profits as signs of economic recovery.

They aim to convince the population, which is outraged over the profiteering and gambling of Wall Street which precipitated the economic crash and remains bitterly opposed to the taxpayer bailouts, that a revival in the fortunes of the financial elite is the road to renewed growth in the broader economy. On this basis, they will justify a further plundering of the public treasury to bolster the banks and deeper cuts in the jobs and living standards of the broad mass of the people.

As Obama said in his speech, he is laying a "new foundation for growth and prosperity where we consume less at home and send more exports abroad." The "we" who will consume less is the working class, not the ruling elite. In fact, the recovery on Wall Street is predicated on a steep and permanent reduction in the living standards of the people.

There can be no recovery in the jobs and living standards of working people apart from the working class undertaking a social and political offensive to break the stranglehold of the financial aristocracy. The only alternative to deepening poverty and social misery is a struggle to replace the bankrupt capitalist system with socialism.

This entails the nationalization of the banks and finance houses without compensation to the big shareholders and CEOs and their transformation into public utilities under the democratic control of the working class. Only on this basis can economic life be organized to meet the needs of the people—including the right to a good-paying job, a secure home, education, health care and a decent retirement—rather than the socially destructive drive for personal wealth of the financial elite.

The *World Socialist Web Site*, the Socialist Equality Party and the International Students for Social Equality are sponsoring a series of conferences on "The World Economic Crisis, the Failure of Capitalism, and the Case for Socialism" in Ann Arbor, Michigan, New York City, and Los Angeles, California. The purpose of these conferences is to examine the origins of the economic crisis and discuss the necessary program and perspective for a new socialist movement of the American and international working class.

We urge all those looking for an alternative to the profit system and the two parties of the financial aristocracy to attend these conferences.

To find out more about the conferences, click here.