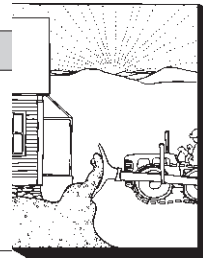


Bailout Could Buy a Lot of the American Dream

by Gary Mayk



If you've got a \$100 bill to spare, grab it. Now crumple it up and throw it away. Or set fire to it. Then do it nine to 14 more times, until we tell

you you've kicked in your share. "My share for what?" you ask. Why, your \$1,000 to \$1,500 share of the savings and loan bailout. That's about what the average U.S. taxpayer, by some estimates, will have to come up with to help save mismanaged savings and loans that squandered billions during the 1980s. Of course, you don't have to kick in your share all at once; it will take more than a decade to pay for it all, perhaps as many as 30 years.

Remember the old days, when S&Ls were the good guys? Nothing conjures up the image better than Frank Capra's 1946 film classic, "It's a Wonderful Life." In this film, savings-and-loan good guy Jimmy Stewart falls victim to a bumbling uncle who loses a few thousand dollars to the local banker. Even the bank examiner turns good guy, though, when a guardian angel steps in – and when Stewart's uncle and neighbors pass a wash basket and fill it with dollar bills and coins until the debt is paid. Very touching.

A New Script

Now, let's update the script. It's not one S&L in trouble, but hundreds. The guardian angel is gone, but S&L lobbyists take the angel's place. There's still a bumbling uncle, but now he goes by the name of Sam and wears a top hat with stars and stripes. And when he passes the top hat in front of you, you have to drop in \$1,500 instead of a few coins. About the only real similarity between our two scripts is that nobody ever seems to go to jail. (For some of these folks, it really is a wonderful life.)

If you don't like this show, tune into the HUD Follies for relief. There, mismanagement through eight years under former Secretary of Housing and Urban Development Samuel Pierce led to a mere \$2 billion of misspent funds. That's small potatoes compared with the \$260 billion that may be spent on the S&L bailout, but it's an awful lot of small potatoes.

Congressional hearings revealed that at HUD, millions of dollars intended to spur construction of low-income housing went to big developments of homes for higher-income buyers, and even into a country club, in one case. Agents who were supposed to sell properties owned by the government pocketed the money – or delayed payments. In one two-year

period, the bulk of a \$42 million fund to subsidize Section 8 rent for low-income tenants went to projects that appear not to have qualified.

What It Would Buy

What does all this mean? By gleaning a few facts from the 1989 Statistical Abstract of the Bureau of the Census and elsewhere, we can put that \$260 billion into perspective. The money could have:

- Given \$37,000 to every poor family in America.
- Paid for nearly a quarter-century of U.S. home maintenance and improvement at projected 1989 spending levels.
- Purchased a new, median-priced, single-family home for every one of the 735,000 homeless persons in America – three times over.
- Supplied 20% down payments for a new, median-priced, single-family home for 12.3 million American families.
- Retired all the FHA loans taken by American buyers in 1987 – three times over.
- Bought an awful lot of potatoes.

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