

There needs to be a futures market. A futures market is very important to provide liquidity. But when a futures market becomes a gambling hall, and you start with investment banks and hedge funds, and all of these activities that have very little to do with the fundamentals of supply and demand, then there are very serious problems that must be addressed.

Now, it could likely be the case that the price of oil will come down in a precipitous way as well. It does not seem that way at the moment. But it could because, clearly, this is a speculative bubble. In my judgment, the price is not justified by the fundamentals of supply and demand. Are we going to have a tightening of supplies in the future? Yes, I understand that. The Chinese want to drive 100 million more cars on their roads in the next 15 years. They are going to build these roads, they are going to drive on them. Is that going to increase demand? Sure it is.

Russia wants to capture more oil. I am told they would love to find ways to impede the opportunity of oil and energy supplies coming from the Caspian Sea to the West. Does that potentially impact the price of oil? Sure it does.

But the fact is this: At least at the moment, with the price of oil on the futures market, we have a situation in which the trading, in many cases, is completely unregulated and not transparent. We need to change that. There needs to be some regulation. This administration does not believe that. They have never believed in regulation. We understand what happened with respect to the crash of Enron and the bilking of tens of billions of dollars from consumers on the West Coast. Enron, in many ways, was a criminal enterprise, and there are people now in jail as a result of it. The regulators sat on their hands, dead from the neck up, believing: No, no, no, no, this is the market working. It was not the market working. It was criminal activity, and people were hurt, a lot of them.

With respect to the oil futures market, there needs to be effective regulation. I am not alleging illegal activity here. I am saying, however, it is not healthy to have an amount of speculation in that market that is far beyond anything that would be reasonable, given the supply and demand of oil.

I have one additional topic I want to cover, but the majority leader is on the floor. I would be happy to yield to him.

HOME MORTGAGES

Mr. DORGAN. Mr. President, let me continue to talk about one other area of speculation because speculation with respect to the futures market in oil is causing significant problems. Speculation with respect to mortgage lending in the subprime mortgage scandal has been unbelievable as well, and it is causing havoc, as we know. People are getting fired; companies are declaring

billions of dollars of losses; and the American people are injured as a result of it. The economy will not grow as fast as a result of it. Let me describe to you what I have learned about this issue. It is stunning because I did not know it. You get up in the morning, brush your teeth, shave, and watch television where you see these ads on television. I never thought much about them. I always thought they were a little goofy. They say: Do you have bad credit? Have you filed for bankruptcy? You can't pay your bills? You have bad marks on your credit rating? Come see us. We will give you some credit.

We have all seen those ads. You think to yourself: Well, how can that work? The fact is, it does not work and cannot work. So what used to be a sleepy little industry getting home loans became something like a Roman candle with powder and a lot of flash. All of a sudden these companies became very fancy companies. I will mention one, Countrywide, the largest home mortgage lender. Here is what I have discovered as I began to look at what they did. They said: You know something. We will give you a deal on a home mortgage. You have a broker selling you a home mortgage getting big fees. We will give you a deal on a home mortgage, an adjustable rate mortgage (ARM). By the way, we have a mortgage, an ARM, in which you don't have to pay any principal and interest only, and you can pay the principal later. We have a better mortgage than that. We have one in which you don't have to pay any principal, and you pay the interest later or principal later. You don't even have to pay the full interest at this point. We can add the interest you are not paying and the principal later to the loan or loans with a 2-percent interest rate.

So they disclose a monthly payment and people say: Man, that is something. That is a low house payment. They don't understand, of course, in two or three years it is going to reset, and it will reset at triple or quadruple the rate. In many cases, they didn't even quote the escrow they were going to be required to pay. So all of a sudden in two or three years the interest rate is going to reset, and they don't have a ghost of a chance of paying the mortgage.

This is all about greed, by the way—big brokers, big companies, mortgage companies that are fundamentally unsound. It reminds me of the days when they used to put sawdust in sausages, sawdust for fillers. People found out about it, and they were aghast.

Here is what they did with these mortgages. They are out there selling bad mortgages, interest only and even less than interest only, subprime, selling mortgages to people who aren't going to have a ghost of a chance of making the payments. They are out there selling mortgages—not just Countrywide but others as well—which are advertising: Come to us if you have bad credit. We want to help you. We

want to give you a loan. They sell these mortgages, and then they package them up, similar to a piece of sausage. They put subprime loans, bad loans in with securities. They package them up, and they sell them. Pretty soon a hedge fund, an investment bank, or somebody else buys them, and now they have a piece of sausage with sawdust that is called a security, which includes bad home mortgages. They don't even know it. Then, all of a sudden, it goes belly up because people can't pay their mortgages.

Now, I am thinking to myself, where has common sense gone? What has happened to basic common sense? Those brokers are selling the loans and making big commissions. Those companies were writing the loans making big money and putting in prepayment penalties so they can lock people into bad loans. Those people, the investors who are buying the loans, and, yes, in some cases, those who were taking out the loans because they should have known better, where has common sense gone? It is rampant speculation.

One more point. It relates to what I talked about with respect to oil futures, and it is the total lack of regulatory oversight. Don't look. Don't worry. It will all be fine. Well, it is not fine. These kinds of activities have an unbelievably tough effect on this country's economy and on people. Millions of people will lose their homes. We have a lot of work to do, but I wished to make this point: There is a need to have effective regulatory oversight. This administration has never believed in it. We saw the consequences of it with the Enron Corporation. We now see the consequences with respect to oil and natural gas futures trading and its impact on the price of oil and natural gas. We see the consequences of it with respect to what has happened with subprime lending. If this doesn't convince this administration and future administrations that you have to have effective regulation, then I don't know what does. Companies need someone looking over their shoulders to make sure we don't have this carnival of greed take over. You have to have effective regulation. Working in this Congress, many of us are trying to put this back together to see if we can't get back to some sound common sense, some business sense, in terms of working in these areas.

I wanted to at least start today by talking about the contradiction of what the President is asking of us and what the President is demanding of the Congress in a way that is completely contradictory to sound fiscal policy. I further wanted to talk about a couple of areas of speculation that both relate to lack of oversight. We need to fix these. We can do it, but we need to fix it and soon.

I appreciate the patience of the majority leader.

I yield the floor.

Mr. REID. Mr. President, has morning business expired?

The PRESIDING OFFICER. Yes, it has.

Mr. REID. Mr. President, before my friend from North Dakota leaves the floor, I would like to direct a couple of comments through the Chair to my friend. First of all, I appreciate the statement made relating to energy. Everything you say has to be overlaid with the fact that we have the most oil friendly administration in the history of our country. Both President Bush and Vice President CHENEY made their fortunes in oil.

I would direct a question to my friend. It certainly appears our administration has lived up to being the most oil-friendly administration. Would my colleague agree with that?

Mr. DORGAN. Mr. President, it has. There is no question we need oil. We use a lot of oil, but we need to have an energy policy that is a balanced policy, and my colleague, the majority leader, is working with all of us on an energy bill that we hope we can get by the end of this session that is balanced. It must include renewable energy. We will also use fossil fuels, as well as need more conservation and efficiency. Further, we must make our vehicle fleet much more efficient. For the first time in 27 years, I believe, the majority steered through this Senate an energy bill that got 65 votes, including for reformed CAFE standards which will make our vehicle fleet more efficient.

So we have a lot to do on energy, but we have made some significant progress. I hope we can get that bill by the end of the year.

Mr. REID. Mr. President, I would also say to my friend, I appreciate the statement on where we stand with these subprime loans. The financial community is crying out for help. Foreclosures help no one. The person who has the home loses. The entity that holds the loan loses significantly. It is usually about 30 to 35 percent of the value of the home, on average, is gone. The entity where the home is located, a county or a city, loses money because that home becomes—any foreclosure takes time. You usually have to board up the windows. It loses value, it loses tax dollars. Something has to be done by the Federal Government. What is being done by the Federal Government in its limited fashion is hurting.

Around this country, one of the things that helps people who are in foreclosure is to have a counselor sit down and talk to them about alternatives they have. People are so frightened, and we have learned that people who get foreclosure notices don't know what to do with them and usually don't even respond to them, either by mail or on the telephone. What this administration has done for these counselors—which, by the way, are nonprofit entities—they have cut back their funding by three-quarters. At a time when people need help, they cut back funding.

We know President Bush doesn't like Government. He doesn't like Govern-

ment. He has proven that from the time he ran for Congress in the 1970s and said Social Security should be privatized, and he has lived up to that. He doesn't like anything to do with Government. He is a person who is anti-Government.

There is a time for Government. Adam Smith, in his great book "The Wealth of Nations," in 1776, said there is a place for Government. If he were writing that book today, he would talk about the need for Government throughout America in many different ways. One thing we need to do is do something with FHA, with Fannie and Freddie, which are organizations we set up in Congress to help people buy homes.

I would say to my friend in the form of a question: Does my colleague think the Federal Government should be more active in what is going on than ignoring the problem?

Mr. DORGAN. Mr. President, the majority leader is absolutely right. We have a role to play. The first and most important aspect is to help those who have been victimized by this unbelievable speculation and greed, and the second is to make sure it doesn't happen again. That requires effective regulation. So the response to this subprime loan issue cannot be no response or just to look the other way. It has to be to address those things.

One of the points the majority leader has made is the need to rework some of these mortgages. The interesting thing is that, in the old days when you got a mortgage, you knew where you got it, and you knew who had it. If you had trouble, you went and worked it out with your lender. Nowadays, they have already sold that mortgage, so it makes it much more difficult. They have sold it, wrapped it into a security someplace, and sold it two or three times. Borrowers go to the place where they got the mortgage, but the company says we don't have the mortgage.

So we have a lot to do. I appreciate the words of the majority leader. We have to help a lot of people try to get through this. We need to help our country's economy get through this and make sure it doesn't happen again.

Mr. REID. Mr. President, one final thing before my friend leaves the floor. There is no one more involved in farm policy any more than the Senator from North Dakota. North Dakota is an agricultural State. Tomorrow morning we are going to have a vote on cloture on the farm bill. We are going to have a cloture vote. It is a very important vote. The question is, Are the Republicans going to kill the farm bill?

For people who say: Well, gee whiz, we have had no opportunity to offer amendments—cloture on the farm bill does not stop amending the farm bill. Relevant amendments can be offered on the farm bill. We have 30 hours to do that. I, of course, would allow those amendments to go forward. There would be no way to say: Well, we are only going to vote on this one. If there

are germane amendments subject to the rule, they can be offered and they can do it postcloture. So I hope all my Republican friends understand this farm bill is important. People at home are going to be watching how we vote on this farm bill because it is a very important vote. Are we going to continue working on the farm bill or let it go? It appears to me the response from the Republicans is let it go. Maybe we will be able to do it some other time.

But I ask my friend: It is true, is it not, that this is an important vote and there will still be amendments allowed even if cloture is invoked?

Mr. DORGAN. Mr. President, the reason a cloture motion was even filed is we have been here a week and a half and have not even been able to move to the first amendment because it has been blocked. Yesterday, Senator HARKIN offered this. He said: Well, how about if we at least start. The way to move on it is to start. He said: How about let's start with a couple of Republican amendments and a couple of Democratic amendments. In every case, there was an objection by the minority side which said no, we can't start.

So I think the majority leader had no choice but to say let's file a cloture motion and try to shut off debate, but that will not shut off amendments that are germane postcloture. After being very discouraged, I really hope those of us who care about a farm program can move forward. Having watched this blocking of the farm bill now for a week and a half, I hope tomorrow morning, when we have this vote, the message that American farmers will get is that this Senate cares enough to decide that, yes, we will go to work, and we will do the farm bill.

I would make one final point to the majority leader. I made the point yesterday. Farmers can't do what the minority in the Senate is doing. When it is time to milk a cow, you have to milk a cow, or the cow gets sore. When it is time to plant, you have to plant, or your crop will not grow. When it is time to harvest, you have to harvest, or the crop will spoil. The farmers don't have the luxury the minority has to say: Well, let's do nothing.

I hope our colleagues will join us tomorrow in voting for cloture. I appreciate the filing of the motion by the majority leader because we didn't have any other choice.

MEASURE PLACED ON THE CALENDAR—H.R. 4156

Mr. REID. Mr. President, I understand that H.R. 4156 is at the desk and due for a second reading.

The PRESIDING OFFICER. The clerk will report the bill by title.

The assistant legislative clerk read as follows:

A bill (H.R. 4156) making emergency supplemental appropriations for the Department of Defense for the fiscal year ending 2008, and for other purposes.