

House Leaders, White House Reach Deal on Economic Stimulus Package

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WASHINGTON — With unprecedented speed and cooperation, Congress and the White House forged a deal Thursday to begin rushing tax rebates of \$600 to \$1,200 to most tax filers by spring, hoping they will spend the money just as quickly and jolt the ailing economy to life. Rebates would be even higher for families with children.



The one-time tax rebates are at the center of a hard-won agreement to pump about \$150 billion into the economy this year and perhaps stave off the first recession since 2001. House Speaker Nancy Pelosi, Republican leader John Boehner and Treasury Secretary Henry Paulson worked out the details in negotiations that stretched into Wednesday night at the Capitol.

About two-thirds of the tax relief would go out in rebate checks to 117 million families beginning in May. Businesses would get \$50 billion in incentives to invest in new plants and equipment. Individual taxpayers would get up to \$600 in rebates; working couples \$1,200 and those with children an additional \$300 per child under the agreement. In a key concession to Democrats, 35 million families who make at least \$3,000 but don't pay taxes would get \$300 rebates. "This package will lead to higher consumer spending and increased business investment," Bush said in hailing the agreement.

If the Senate gives quick approval, the first rebate payments could begin going out in May and most people could have them by July, he said. It has become increasingly clear that the economy is teetering on the edge of recession, if it hasn't already gone over that line. The crisis in sub prime home loans has hit hard at many lending institutions, cramping credit for almost everyone else. Economic growth has all but disappeared, companies are reporting big losses and Wall Street had been tumbling day after day — even after emergency Federal Reserve rate cutting — until Wednesday's hopeful talk about the stimulus deal. The Dow Jones industrial average was up more than 100 points Thursday after soaring nearly 300 the day before.

Bush had supported larger rebates of \$800-\$1,600, but his plan would have left out 30 million working households of people who earn paychecks but don't make enough to pay income tax, according to calculations by the Urban Institute-Brookings Institution Tax Policy Center. An additional 19 million households would receive only partial rebates under Bush's initial proposal.

To address the mortgage crisis, the package raises the limit on Federal Housing Administration loans from \$362,790 to as high as \$729,750 in expensive areas, allowing more sub prime mortgage holders to refinance into federally insured loans. To widen the availability of mortgages across the country, it also provides a one-year boost to the cap on loans that Fannie Mae and Freddie Mac can buy, from \$417,000 up to \$729,750 in high-cost markets.

1. In paragraph form, explain the *Economic Stimulus Package* as well as the purpose behind its implementation.
2. Approximately how much of the tax relief rebates would find itself back into the pockets of American families?
3. Under the *Economic Stimulus Package* how much more would a working couple with three children earn in rebates over a) an individual taxpayer and b) family who earns \$3,000 but does not pay taxes?
4. In an effort to address the mortgage crisis, the package raises the limit on Federal Housing Administration loans by what percentage?
5. Using the formula $i = prt$ (interest equals the product of principal, rate, and time) determine how much an investment of a \$1,200 rebate at 3.45% would be valued at over a five year duration.
6. Given the fact that the package raises the limit on Federal Housing Administration loans, assume the family in question three elected to purchase a home for \$729,750 at an annual percentage rate of 7.25%. The loan is for a 30-year duration with a down payment in the amount of their recent tax rebate. Determine the approximate monthly payments excluding property taxes, Private Mortgage Insurance (PMI), etc.
For example, In June 2005 Mr. Daughtry purchased his home for \$149,100 with no down payment and an interest rate of 5.75%. To determine his monthly mortgage: $(149,100 \text{ cost of house} \times 5.75\% \text{ annual interest rate}) / (30 \text{ years}) + 149,100 \text{ original cost of house} / 360 \text{ payments equals } \$1,128.60 \text{ a month.}$
7. Upon completion of this assignment, how far have we progressed through the 2007-08 series of *The Daughtry Times*[®]? Express your answer as a fraction, decimal, percentage, and pie chart.
8. As obtained from the passage above, in paragraph form, explain at least eight ways using the "Traditional Writing Guidelines" simplifies the paragraph writing process. Be specific.
9. As obtained from the passage above, in paragraph form, explain at least six ways using the "Preliminary Reading Guidelines" simplifies understanding of the material. Be specific.
10. In complete sentences, using contextual clues only, explain the meaning of the italicized words: *ailing*, *stimulus*, and *teetering*. Additionally, use each in a sentence to demonstrate further comprehension.
11. In paragraph form, explain at least five legitimate and educational purposes behind *The Daughtry Times*[®].