

## [Sen. Ted Stevens Found Guilty of Lying on Financial Disclosure Report](#)

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**Byline:** Jim Lehrer, Ray Suarez, Judy Woodruff, Gwen Ifill, Jeffrey Brown, Fred de Sam Lazaro

**Guests:** Paul Singer, Amy Walter, Susan Page

**Highlight:** Alaska Sen. Ted Stevens was found guilty Monday of corruption charges. Judy Woodruff recaps the latest news from the campaign trail. Political reporters assess how Barack Obama and John McCain are making their final appeals to voters in battleground states and beyond.

### **Body**

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JIM LEHRER: Good evening. I'm Jim Lehrer.

On the NewsHour tonight: the news of this Monday; then, the guilty verdict in the trial of Alaska Senator Ted Stevens; with eight days until the election, extended excerpts from the candidates' speeches; plus, a campaign snapshot by Amy Walter and Susan Page; a look at proposals to help homeowners hit by foreclosure; and a report about the devastation in Haiti after three hurricanes.

(BREAK)

JIM LEHRER: Senator Ted Stevens was found guilty today on seven federal charges of corruption. The Alaska Republican was on trial in Washington for lying on Senate disclosure forms over renovations to his house.

Stevens faces up to 35 years in prison. He's up for re-election next Tuesday. The judge did not set an immediate date for sentencing. We'll have more on this story right after the news summary.

Federal agents have foiled a plot to assassinate Democratic presidential nominee Barack Obama. Court records unsealed this afternoon said the Bureau of Alcohol, Tobacco and Firearms charged two Neo-Nazi skinheads in Jackson, Tennessee, last Friday. The men allegedly sought to target students at a mostly African-American high school and eventually attempt to kill Senator Obama.

In the U.S. presidential race today, the candidates entered their final week of campaigning and hit on economic themes. In Canton, Ohio, Obama urged supporters to choose hope over fear and promised to restore economic prosperity to the country.

Republican John McCain was in Dayton, Ohio. He continued to distance himself from President Bush's economic policies, and he pledged to cut spending. We'll have more on the campaign later in the program tonight.

Wall Street staged a last-minute sell-off today, as market uncertainty continued. The Dow Jones Industrial Average lost 203 points to close at 8,175. The Nasdaq fell 46 points to close below 1,506.

For most of the day, stocks had stayed steady on news the Treasury Department will begin distributing money to nine major banks this week. The money is part of the government's \$700 billion financial rescue package.

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There was some unexpected good housing news today. The Commerce Department reported new home sales were up in September by nearly 3 percent. But that was still 33 percent below the level of a year ago.

At the White House, press secretary Dana Perino was cautiously optimistic.

DANA PERINO, White House Spokeswoman: Those are certainly welcome numbers, but too early to say whether it's a trend or not. That's why we have to keep working at doing what we're doing to try to recapitalize the banks, rework mortgages where we possibly can, help people stay in their homes.

But if it is a trend, we'll certainly welcome it, but we're not going to rest and hope. We're just going to continue to work. And maybe next month, the numbers will show a continued improvement.

JIM LEHRER: The commerce numbers weren't all good. The median price of a new home dropped by 9 percent to reach its lowest level since September 2004. We'll have more on the housing story later in the program.

Stocks in Asia took a beating today. Japan's main index dropped more than 6 percent to hit its lowest point in 26 years. Other Asian markets, including Hong Kong and China, fell sharply on a chaotic day of trading.

European stocks started out the day with steep losses, but staged a late recovery. The French market was an exception, losing 4 percent. A trader there warned the uncertainty will go on.

NATHALIE PELRAS, Head of Equity Management, KBL Richelieu Gestion (through translator): Well, basically, everything is falling apart. Nothing really holds up. A newspaper headline this morning read, "The Crash Until When?" That means we cannot think in terms of valuation anymore.

The valuation has been down for the last three months, and we know the stock prices will fall in the midterm, but the problem is that we don't know how much it will fall. The markets are still volatile; it won't stop in a week.

JIM LEHRER: French President Sarkozy will discuss the economic crisis with British Prime Minister Brown in Paris tomorrow. And later this week, Brown will meet with German Chancellor Merkel in London.

Syria lashed out at the U.S. today for launching a raid inside Syrian territory. Syrian government officials said four U.S. helicopters fired on a building Sunday near the Iraqi border and that eight civilians died.

In London today, Syria's foreign minister condemned the attack.

WALID AL-MOALLEM, Foreign Minister, Syria: We consider this criminal and terrorist aggression. We put the responsibility on the American government. And they need to investigate and return back to us with a result and explanation why they did it.

JIM LEHRER: The U.S. has yet to officially confirm or deny its involvement in the raid. But State Department spokesman Sean McCormack did say Syria summoned a U.S. diplomat to discuss the matter.

SEAN MCCORMACK, State Department Spokesman: The Syrians did call in at the level of the vice foreign minister, our charge d'affaires, whose name is Maura Connelly. She went in. She listened to the Syrians.

They brought her in there to raise with her these reports of activities in Abu Kamal, which is close to the Syrian-Iraqi border. But beyond that, I don't have any comment for you.

JIM LEHRER: A spokesman for the Iraqi government said the operation targeted foreign fighters that cross into Iraq.

Two American soldiers were killed in a suicide attack in Afghanistan today. It happened inside a police station in the north, where U.S. troops were advising a police training program. The bomber was dressed in a police uniform.

Also today, insurgents shot down a U.S. helicopter near Kabul after exchanging fire with its crew. All on board were rescued.

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And that's it for the news summary tonight. Now: the Stevens verdict; the presidential campaign day; Amy Walter and Susan Page; help for homeowners; and Haiti after the storms.

(BREAK)

JIM LEHRER: The Stevens verdict. Ray Suarez has our story.

RAY SUAREZ: We take a closer look at the implications of today's guilty verdict with Paul Singer, associate editor at the Capitol Hill newspaper Roll Call. He's been covering the Ted Stevens' corruption trial.

Paul, let's begin with what the government said and what the jury has now agreed Ted Stevens did.

PAUL SINGER, Roll Call: Well, the charges, Ray, specifically, were that he failed to report gifts on his annual financial disclosure forms that he reports to Congress every year.

He was receiving, they alleged, major renovations on his home in Girdwood, Alaska, that he was not paying for. He was also receiving a whole bunch of other governments that he never paid for, a very expensive gas grill, a \$2,700 electric massage chair.

All of these things, the government alleged, should have been reported as gifts on his financial disclosure forms. By failing to report them, he was essentially hiding things he didn't want the public to know. This is what the jury has agreed and has convicted him of today.

RAY SUAREZ: They convicted him on all counts. What level of crime is this? Were these felonies?

PAUL SINGER: Yes, well, the form is a Senate form, but it's actually required by federal law that you fill these forms out and you sign a little thing swearing that everything on here is accurate. And, yes, it's a felony.

RAY SUAREZ: Did Stevens take the stand in his own defense? And, if so, how did he explain the presence of the renovations, the artwork, the furniture?

PAUL SINGER: He did take the stand. He spent about two days on the stand. And his argument was essentially this, that the family, the Stevens family, did pay about \$160,000 for renovations to a bunch of contractors.

And the other things that were being done by his friends and by this oil company that he was very close to he claimed he didn't know that they were being done.

When he discovered that they were being done, he asked for bills and just never received them. The gifts that came to his home, he claimed he never asked for those gifts. He didn't want them. He asked people to take them away.

The fact that they never went away was not really his fault, he said. They were -- he made it very clear that he wanted them to go away.

The prosecution made the point, Senator, you're one of the most powerful senators in the U.S. Congress. How can you not get someone to remove a chair from your house, to remove a grill from your house? It seems hard to reconcile.

RAY SUAREZ: The company involved, VECO, is a construction company in the oil services industry. Did the federal government attempt to show any quid pro quo that something was offered and something given back by Stevens?

PAUL SINGER: You know, it's funny. They didn't, except they sort of did. They never alleged any quid pro quo. That would have been a bribery count. And they never alleged that; it was not in the indictment.

But they did suggest that Stevens had done some favors for VECO and during this time period. It was very unclear exactly, if they weren't going to make that official part of the charges against him, why they would introduce it.

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And, essentially, they were introducing it in a way to say these people were very close to Ted Stevens. He was doing nice things for them; they were doing nice things for him.

RAY SUAREZ: We're just about a week away from Election Day, and Senator Stevens is defending his seat. Is there any timetable for announcing a sentence or court reconvening in this case? Or can he go back to Alaska and run?

PAUL SINGER: He can go back to Alaska and run. The judge this afternoon said that he would do sentencing probably after February. They're going to have a scheduling hearing in February.

The theory here is that there are numerous grounds upon which Senator Stevens might want to appeal this verdict. And, meanwhile, he's out on bond, and he can go back to Alaska and run.

RAY SUAREZ: And for the moment he remains a senator in good standing, if a convicted felon?

PAUL SINGER: Yes, he does. There's no direct execution that would throw him out of the Senate simply for being convicted. The Senate Ethics Committee would have to take up some sort of investigation of him and decide whether he should be expelled or some sort of punishment. If he loses his re-election in a week, they probably won't bother.

RAY SUAREZ: When's the last time a sitting United States senator was convicted of a felony?

PAUL SINGER: You know, I don't know that it's ever happened. I know that Senator David Durenberger, about 25 years ago, I believe, was found guilty -- or I believe he might have pled guilty. I don't remember exactly. But he was found guilty of some similar failure to report, and he paid a small fine.

You have to go back a long ways before that before you have anything similar to this.

RAY SUAREZ: We should keep in mind that Senator Ted Stevens is 84 years old. Do these charges, and now convictions, carry jail time?

PAUL SINGER: Yes. Well, in theory, each charge carries five years possible maximum. But, I mean, you're not going to give Ted Stevens 35 years in jail.

Most folks I've spoken to, most things I've read, the suspicion is that he could get a sentence of up to a year, year-and-a-half. But even that, it's just hard to know whether they'd really put him in jail.

RAY SUAREZ: Had Senator Stevens at any time during this process talked about what he might do if found guilty?

PAUL SINGER: No, you know, he said he's innocent. He said he didn't do it. He said he never intended to do it. And he said he's going to go home to Alaska.

In fact, one of our reporters caught him getting out of the elevator today, and he said, "I'm going home." He's going back to Alaska to try and make the case to Alaskans that he was unfairly prosecuted.

I mean, I will give him credit here that the prosecution did admit on several occasions that they mishandled evidence. That will probably give him an avenue for appeal.

RAY SUAREZ: Paul Singer, thanks for joining us.

PAUL SINGER: Thanks. Have a good evening, Ray.

(BREAK)

JIM LEHRER: And, with a week to go, the presidential candidates make their closing arguments. Judy Woodruff has our campaign report.

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JUDY WOODRUFF: John McCain and Barack Obama both started the day in Ohio, a state that has sided with the winner of the last 11 presidential elections.

McCain met this morning with his team of economic advisers at a hotel in downtown Cleveland. Later, he detailed his plans for addressing the economic crisis.

SEN. JOHN MCCAIN (R), Arizona: With one week left in this campaign, the choice facing Americans is stark. My economic goals and policies are very clear.

One, I will protect your savings and retirement accounts and get the stock market rising again.

Two, I will help keep people in their homes and fix our housing market and realize the American dream of owning their own home.

Three, I will create millions of high-paying jobs through tax cuts that spur economic growth, particularly for the small businesses which create 70 percent of all new jobs in this country.

Why would we want to raise taxes on anybody, most of all small businesses in America? That's what Senator Obama wants to do.

(APPLAUSE)

JUDY WOODRUFF: That charge, that Obama would raise taxes, was one McCain returned to again and again.

SEN. JOHN MCCAIN: We both disagree with President Bush on economic policy. The difference is that he thinks taxes have been too low, and I think -- and I think that spending has been too high.

My approach is to get spending under control, and cut taxes, and encourage individuals to invest in our markets or buy a home, and to encourage businesses to hire more workers.

Senator Obama's approach is to radically increase spending and then raise taxes to pay for it. My approach will lead to rising stock market prices, a stabilized housing market, economic growth, and millions of new jobs.

Senator Obama's plan will destroy business growth, kill jobs, and lead to continued declines in the stock market, and make a recession even deeper and more painful.

JUDY WOODRUFF: McCain also warned that giving the Democrats control of both the White House and Congress could be troublesome.

SEN. JOHN MCCAIN: Now, this election comes down to how you want your hard-earned money spent. Do you want to keep it and invest it in your future or have it taken by the most liberal person to ever run for the presidency and the Democratic leaders, the most liberal, who have been running Congress for the past two years, Nancy Pelosi and Harry Reid?

(BOOING)

You know, my friends, this is a dangerous threesome. They believe...

(LAUGHTER)

... they believe -- they believe that \$1 trillion of rescue financing is not enough and have already proposed another \$300 billion spending spree they're calling a stimulus plan. I would rather give the great American middle class additional tax cuts and let you keep that money invested in your future.

(APPLAUSE)

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JUDY WOODRUFF: Barack Obama, meanwhile, stumped in Canton, Ohio, about an hour south of Cleveland. There he returned to a theme from early in the campaign with what his aides called a "closing argument" speech.

SEN. BARACK OBAMA (D), Illinois: In one week, you can put an end to the politics that would divide a nation just to win an election; that tries to pit region against region, and city against town, Republican against Democrat; that asks us to fear at a time when we need hope.

In one week, at this defining moment in history, you can give this country the change we need.

JUDY WOODRUFF: Obama batted down charges from McCain that he would expand the size of government.

SEN. BARACK OBAMA: And I don't believe that government can or should try to solve all our problems. You don't believe that, either.

But I do believe that government should do that which we cannot do for ourselves: protect us from harm; provide a decent education for all children; invest in new roads and bridges, and new science and technology.

Our government should reward drive and innovation and encourage growth in the free market, but it should also make sure businesses live up to their responsibility to create American jobs, and look out for American workers, and play by the rules of the road.

(APPLAUSE)

It should ensure a shot at success, not just for those with money and power and influence, but for every single American who's willing to work.

That's how we create not just more millionaires or more billionaires, but how we create more middle-class families. That's how we make sure businesses have customers that can afford their products or services.

(APPLAUSE)

That's how we've always grown the American economy: from the bottom up. John McCain calls this socialism. I call it opportunity. And there's nothing more American than that.

JUDY WOODRUFF: Obama kept up his efforts to tie McCain to the economic policies of the Bush administration.

SEN. BARACK OBAMA: We have tried it John McCain's way. We have tried it George Bush's way. And deep down, deep down Senator McCain knows that, which is why his campaign said that, "If we keep talking about the economy, we're going to lose."

That's why he's spending these last weeks calling me every name in the book, because that's how you play the game in Washington. If you can't beat your opponent's ideas, you distort those ideas and maybe make some up.

If you don't have a record to run on, then you paint your opponent as someone people should run away from. You make a big election about small things.

Ohio, we're here to say, "Not this time. Not this year. Not when so much is at stake."

(APPLAUSE)

John McCain might be worried about losing an election, but I'm worried about Americans who are losing their homes, and their jobs, and their life savings.

JUDY WOODRUFF: Republican vice presidential nominee Sarah Palin meanwhile appeared in Leesburg, Virginia. And just as McCain did at his Ohio event, Palin accused Obama and congressional Democrats of conspiring to punish workers by raising taxes.

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GOV. SARAH PALIN (R), Alaska: We don't think that you should be working for government. We think that government should work for you.

(APPLAUSE)

So if you share that commitment, we need your vote on November 4th, because if big government spenders -- if big government spenders control the House and the Senate and, Heaven forbid, the White House, then they will have a monopoly of power in Washington.

And the Obama-Pelosi-Reid agenda...

(BOOING)

... it would put America on a path that erodes the strong work ethic that made this country so great. So, Virginia, let us fight together for what is right, and free, and uniquely American.

(APPLAUSE)

JUDY WOODRUFF: The number-two on the Democratic ticket, Joe **Biden**, campaigned in Greensboro, North Carolina, where he touted Obama's vision for uniting the country.

SEN. JOE **BIDEN** (D), Delaware: Ladies and gentlemen, our problems are too big. And for too long, our politics has been too small. It's time to change.

(APPLAUSE)

Look, Barack Obama knows that we need to bring people together, and the way he will do it is the way all great presidents have done: by reminding us, reminding us of what we've overcome in the past.

We've seen tougher times in this country, our parents and grandparents and great-grandparents, and they've overcome it. The other way great presidents appeal to America is they appeal to their better angels, not to their fears, appeal to their potential.

Ladies and gentlemen, if you notice, that's all we've been doing in the last month of this campaign. That's all Barack Obama is doing.

Now, it's not about, as I said, were you better off. Everybody knows we're not better off. It's about, what are we going to do now?

JUDY WOODRUFF: **Biden** will campaign tonight and tomorrow in Florida, while Obama makes stops in Pennsylvania and Virginia. McCain will hold a joint rally with Palin in Pennsylvania before traveling to North Carolina.

JIM LEHRER: And to Gwen Ifill.

GWEN IFILL: For more on what the two candidates are doing to seal the deal, we turn to Amy Walter, editor-in-chief of the Hotline, National Journal's political daily, and Susan Page, Washington bureau chief for USA Today.

Susan Page, based on what we heard Barack Obama say today, what is the substance of his closing argument?

SUSAN PAGE, USA Today: Barack Obama is saying, "It's been a tough eight years. We need a change. I'll offer you change. The other guy won't." I think that's the essence of his closing arguments. It's been, in fact, the essence of his campaign for the last six months.

GWEN IFILL: It sounded, Amy, like the essence of his opening argument.

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AMY WALTER, Editor-in-Chief, The Hotline: Of his opening argument for the rest of -- yes, for his tenure as president, is that what you're suggesting? Yes.

I mean, I think that what he's doing right now, it's really interesting watching these two candidates, which is Obama seems to be sort of opening his message, where -- and trying to sort of bring it, as we've heard all along, bring as many people together as possible, the blue states and the red states, and the hope, and all those words.

And McCain is much more focused and his message is much more closed, as it would be -- focused much more on his base and in turning out those voters that he's worried are not enthusiastic enough to come out on Election Day.

So one's trying to expand the map, and one's focusing much more narrowly.

GWEN IFILL: Well, let's talk about the McCain message. There seemed to be a lot in that today. It was a full basketful of different messages.

SUSAN PAGE: Well, I think Senator McCain is looking for a message that's going to work for him, that'll get some traction, that will convince some voters who are for Obama now, but maybe aren't quite so sure about it, to peel off, or those dwindling number of undecided voters to come to his side.

So for some of those, it might be taxes, might be the risk of electing someone who's inexperienced. Really, whatever argument will work for you is an argument John McCain is willing to make now, because he's in this unfortunate position of being on the struggling side of this campaign.

So he needs to be more negative. He needs to hammer at Senator Obama. He needs to raise questions about him, if he is to have any hopes of making this -- threading this difficult course to him to 270 electoral votes.

GWEN IFILL: So who are these voters that they're both going after? Are they the same group of people who are just sitting at home waiting for someone to say the most persuasive thing or are they different groups of people?

AMY WALTER: Right, because you wonder, at this point in the game, is there anybody who truly is undecided?

GWEN IFILL: One always wonders, yes.

AMY WALTER: We see these numbers, and it is dwindling. I mean, it's probably 5 percent or 6 percent who say that they truly are undecided.

But I do think that you're seeing these candidates focusing their message on two very different audiences and, as we pointed out earlier, in terms of what they're looking for, for the future.

And so, for John McCain, I think is -- Susan's right, that he's trying anything that works, but it's also making sure that he gets those voters that maybe are Republican-leaning or folks who are part of the base but may not be as motivated to turn out, giving them the messages that they want to hear, so talking about taxes, talking about the liberal Democratic establishment, those buzzwords to make sure that they are engaged, they actually get out and vote.

Because, again, we've been hearing over and over again that Democrats are turning out in large numbers in these early-vote states. And so engaging those voters is going to be important, especially if his strategy is to play defense, hold on to all those red states that George Bush was able to do, maybe pick up a blue one -- he talks a lot about Pennsylvania -- but hold on to the red, whereas Obama is going in and he's almost in every state it seems these days.

GWEN IFILL: Well, let's talk about the geography a little bit, Susan. What states -- if there's a path for John McCain, and if there is a path for Barack Obama, who is saying he's nervous, even though he seems to be ahead in so many of these polls, what are the states which are on that path?

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SUSAN PAGE: Well, I think for Barack Obama the key is to be strong in the Mountain West. This is a new battleground region this year, Colorado, Nevada, also New Mexico, which has been close in the past.

That's given him -- his strength in those states has given him some leeway to lose Pennsylvania. If he happened to lose Pennsylvania, he could still win the presidency, because he has come through in this new battleground region, which I suspect we're going to be watching for a long time.

John McCain has a very precise path, as Amy said, hold the Bush states and maybe get Pennsylvania. And that leaves him -- it leaves him in the position of some Democratic presidential candidates in previous elections, where they can calculate how they can get to 270, but it means every single thing needs to fall their way.

GWEN IFILL: You know, I was watching these events over the weekend. You look at the crowds, the relative size of the crowds, and you wonder, "Does size matter?" Does crowd size matter in this case at this stage in a campaign or is that just atmospheric at this point?

AMY WALTER: I mean, I think a lot of it still is atmospheric. And let's remember: This was the debate we had in the Democratic primary, too, that, well, Barack Obama's crowds were so much larger, this indicates, of course, that he's going to win by a huge margin, and he would rack up these big events in Pennsylvania and Ohio. Obviously, he lost both of those states, so they weren't necessarily indicative of the final vote.

But what I think it does, especially for somebody like Barack Obama, who is trying to keep these new voters, these folks who he has helped to recruit and get them registered to vote, making sure that they understand that they're part of something bigger.

They see these pictures of him out with the throngs, that this is, you know, part of a bigger movement. That message is what he's really trying to drive home with these big rallies.

SUSAN PAGE: You know, the other thing I've noticed in these big rallies is increasing numbers of these people are people who've already voted, voted by mail, done early voting. You know, these are votes that are in the bank.

It means that there can be an event over the next week; it's not going to change their vote. It means they're not going to be peeled off by some last-minute argument.

That's another role of these huge crowds we've seen, is to get people to the polls early, to kind of guarantee that their vote is cast and is going to be there.

GWEN IFILL: Let's talk about the vice presidential candidates on both sides. At this stage, at this moment in time, are they helping or are they hurting their candidates?

AMY WALTER: Well, I mean, I think it's pretty clear that Sarah Palin has not been helpful in these last couple of weeks here. Now, where she still could be helpful, I think, again, going and talking to the base.

But in terms of her broader message, if we are talking about picking up those true undecided voters, those folks who are on the fence either way, I think that a lot of questions have been raised.

And it seems like any time she tries to go out with whatever message it may be, it seems to be overshadowed by a controversy, and now it's obviously the \$150,000 wardrobe.

GWEN IFILL: Now it's about infighting within the campaign.

AMY WALTER: And now it's the infighting with the campaign, who likes her, who doesn't. Is she really a diva? And who's speaking to her and who's not? And, right, and so that has been overshadowing everything.

And, in fact, that's been part of the story all along, right, that the Sarah Palin message, the one that we saw unveiled at the convention, never really got a chance to really percolate because of all the other issues that were surrounding her.

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GWEN IFILL: What about Joe **Biden**?

SUSAN PAGE: Well, I think he's been helpful in that people see him as a credible president, but I think he's made some misstatements that have caused trouble in these last couple of weeks, including saying that a President Obama would be tested early on by foreign leaders.

I think the campaign spent a lot of time trying to put that one down. And with Sarah Palin...

GWEN IFILL: And the McCain campaign came out with an ad exploiting it.

SUSAN PAGE: Oh, yes. It really reinforced one of McCain's main messages, which is the risk of electing Barack Obama.

With Sarah Palin, I think you see her starting to think about elections down the road. She is now thinking not only about making McCain's case, but repairing her own image, because this is a woman I think we are going to be seeing not just in this election, but in future ones.

GWEN IFILL: And so everybody has got to do what they can in the next eight days to kind of repair -- to emerge from this somehow whole?

SUSAN PAGE: Well, you know, one ticket is going to emerge as the president and vice president of the United States, which is a pretty good way to emerge. I think it's the other side that worries about who's going to get blamed for what went wrong.

AMY WALTER: Right, including staff. So it's not just the candidates, but it's the people behind the candidates that are looking for what their next step will be after this election.

GWEN IFILL: OK, more to come. Amy Walter, Susan Page, thank you both very much.

JIM LEHRER: And our election coverage continues always on our Web site. Just go to PBS.org, and then scroll down to NewsHour Reports.

(BREAK)

JIM LEHRER: Next, new proposals to help homeowners in trouble. Jeffrey Brown has our story.

JEFFREY BROWN: Ever since Congress passed its financial rescue package last month, fears have grown that the twin problems of decreasing home prices and increasing foreclosures had not been adequately addressed.

Amid growing calls to help distressed homeowners, more direct responses now appear to be in the works.

According to recent data, foreclosure filings in the third quarter were up 71 percent from a year ago, with some regions hit particularly hard. And the average price of a home dropped by 9 percent in the last year. Again, some areas saw much greater drops.

In recent weeks, candidates, lawmakers, and academics have put forward a variety of proposals to address the problem. And now the Bush administration appears ready to make its next move.

On Thursday, officials appearing at a Senate hearing said they're working on details of a plan in which the government would provide a partial guarantee on troubled home loans. Sheila Bair is the head of the Federal Deposit Insurance Corporation.

SHEILA BAIR, Chairman, Federal Deposit Insurance Corporation: The FDIC is working closely and creatively with Treasury on ways to use the recent financial rescue law to create a clear framework and economic incentives for systematically modifying loans. The aim is for loan servicers to offer homeowners more affordable and sustainable mortgages.

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JEFFREY BROWN: The new plan, which could be announced in the next week or two, is estimated to cost some \$40 billion.

And now a look at several ideas on the table. Bruce Marks is the chief executive of the Neighborhood Assistance Corporation of America, a not-for-profit advocacy group for homeowners.

Dan Alpert is founder and managing director of Westwood Capital, a small investment bank.

And Neil Irwin is a financial reporter who's been covering the housing and banking crisis for the Washington Post.

Bruce Marks, let's first define the problem. Beyond the numbers, what's happening out there? What do you see?

BRUCE MARKS, Neighborhood Assistance Corporation of America: Sure, I mean, what is out there, Jeff, is that it's the foreclosures, stupid. That's what we have to say to Congress and we have to say to the administration, because all the solutions out there, the refinances, all those solutions are not working, and that there are millions of homeowners at risk of foreclosure because they can't afford their mortgage payments.

So what we have to do is we have to restructure these mortgages to make them affordable. That's not being done, not being done by the servicers or by the investors. All the solutions out there are failing, Jeff.

JEFFREY BROWN: So in simple terms, explain what you think should be done. What are the general principles for any plan?

BRUCE MARKS: Right, well, the real general principles is to go back to what lending used to be. It's saying, "Let's determine what a homeowner can afford."

So what we say is, what is someone's income, their required monthly liabilities, their card expenses? And then you come up with a mortgage payment and you say, "This is what I can afford." And that's how you do it.

Now you have to restructure the mortgage. Let's not do a new loan, a refinance. Stay with the existing lender, servicer, investor, and say, "Reduce the interest rate to get to a mortgage payment that the homeowner can afford."

It's basic lending. It's going back to the fundamentals. This is what the homeowner can afford. Restructure the mortgage. And that's good, Jeff, for everybody.

It's good for the homeowners. That's good for the servicers who are overwhelmed. Good for the investors. Good for the communities. And you can do that without one dollar of taxpayer money.

JEFFREY BROWN: Now, Dan Alpert, before I ask you about what you'd propose, I'd just note, you know, in our news summary today, we said that home sales were actually up a bit in September, still down a lot from last year, but up surprisingly.

Does that suggest at all to you that the market may have, I don't know, settled, figured this out a bit?

DAN ALPERT, Westwood Capital: Well, I'm looking more at home prices. And if you look at home prices, they continue to decline.

The issue that really faces us is that so much of the value increment that was created during this lax lending and low-interest-rate period throughout the decade really never truly existed.

The cost of housing completely disconnected from alternatives of rental. They completely disconnected from personal income. And we ended up at a point where we believe housing values are going to nationally plummet by about 30 percent peak to trough.

That generates many, many losses. We went from \$5.4 trillion in outstanding mortgage debt in 2000 to \$11 trillion at the end of 2006. That more than doubled the amount of housing debt outstanding.

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Theoretically, we had some \$20 trillion worth of housing stock. But, unfortunately, a 30 percent drop from that takes you down to \$14 trillion. And here's the zinger: About a third of all homes have no mortgages on them at all.

So you have less than \$11 trillion worth of collateral supporting \$11 trillion worth of loans. That's going to create mortgage losses. It's obviously creating a huge negative wealth effect amongst people who own housing. And that, of course, is translating into a mammoth recession.

JEFFREY BROWN: Neil Irwin, let me bring you in. You've been covering this in Washington. Why was there reluctance early on in the administration to tackle this problem head on?

NEIL IRWIN, The Washington Post: Well, the simple fact is it's great to talk about finding ways to prevent foreclosures to help people afford their mortgages, but it's really hard to do that in a way that doesn't, you know, disrupt private contracts that is actually practical.

You know, the reality is there are these existing mortgages. People signed up for them voluntarily. The banks entered deals with both the mortgagee and with whoever ultimately owns that mortgage.

And, you know, anything you do to try to help people afford a mortgage or renegotiate, you kind of need buy-in by all those parties, unless you're, you know, running the risk of a lawsuit.

So the basic situation is, it's a lot -- it's a great thing to talk about. It's a much harder thing to execute in practice.

JEFFREY BROWN: And we mentioned this potential new plan by Treasury and the FDIC that Sheila Bair has been touting. Details to come, clearly, on this, but what do we know so far?

NEIL IRWIN: The rough outlines are that a mortgage company, a lender, a bank would agree to lower the value of a mortgage or what's owed on it to what a person can actually afford in exchange for the government being willing to protect the bank or the lender against any future losses.

So the idea is the government steps in and says, "All right, if you renegotiate this mortgage so it's, say, the person only has to pay 32 percent of their income, something that's affordable, we'll bolster it and protect you against further losses."

Again, the level of detail you have to get into to actually make something like that work is truly daunting.

JEFFREY BROWN: Bruce Marks, what about something like that?

BRUCE MARKS: Well, you know, it's not that complicated. I mean, I think, you know, people make it far more complicated than what it is.

What we know doesn't work is we know that refinancing, getting a new loan, doesn't work because the value is not there. People's credit scores are not there. That doesn't work.

So what we have to focus on is with the existing servicer and the investor. And it's very simple. You determine what the homeowner can afford and you reduce the interest rate. At NACA, we're able to do this for tens of thousands of homeowners with the major servicers.

JEFFREY BROWN: But who -- but let me interrupt -- let me interrupt you. Who takes the hit in that point? Is it the lender, the servicer, or the government? Who's taking the hit?

BRUCE MARKS: Well, it is the investor that won't get their 9 percent or 10 percent interest rate, that might get their 4 percent or 3 percent interest rate, but they won't incur the foreclosure cost, because what you're focusing on is not what the value of the property is. You're focusing on what the mortgage payment is.

And you're locking that in for the remaining term of the loan. So you have a fully amortized loan so it doesn't -- so even if the loan is underwater, even if you owe more than what it's worth, then, as long as you have a full amortizing loan with every payment, you're paying off a bit of the principal, with no taxpayer dollars.

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But you know what the biggest problem is, Jeff? And that is Fannie Mae. Fannie Mae, which sets the standard for this country, is the investor. So, in essence, because they're refusing to do this, that's what's causing the massive numbers of foreclosures in this country. We change Fannie Mae's policy, we change it for the industry.

JEFFREY BROWN: All right, Daniel Alpert, you can respond to that. I want to let you -- you have a whole other idea for how to do this.

DAN ALPERT: Well, first of all, I'm more with Neil. And, unfortunately, we have the sanctity of contracts in this country. And it's very, very difficult. We've seen already how difficult it is to jawbone lenders, which is what the Hope programs were trying to do, into making these alterations to their mortgages.

Think about the private securitizations, which account for trillions of outstanding mortgages. And those folks are, you know, servicers and trustees that are beholden to bondholders who own little pieces of these mortgages.

They're not going to risk their entire credibility and they're entire balance sheet by somehow voluntarily making changes to these mortgages that are going to impair the folks that own them.

So unless something happens that's of a more mandatory nature, I'm afraid we're going to have a big problem. That's what our plan calls for.

We come up with a plan basically to allow mortgagees, mortgage -- sorry, borrowers who are underwater or who have very high loan-to-value loans who can't make the payments to effectively do what they're supposed to do under their mortgage, which is surrender their collateral, surrender their deed.

Right now, the cost of collection of mortgages is running something like 30 percent of mortgage balances when it goes through foreclosure. In good times, it was 19 percent. So you're talking about a huge additional cost. If deeds are surrendered voluntarily, you save that cost.

Now, who would do that in their right mind? No one. So what we're proposing is that lenders be required on a mandatory basis to lease the properties back to the homeowners for a period of time. We've suggested four to six years, during which time homeowners will have a chance to get their financial houses in order and be able to buy back the home -- theoretically at a price lower than they paid for it originally -- at fair market value in four to five years.

Look, if you believe that this crisis is created by some sort of a cyclical downturn, this was a bubble. This was not an oversupply of housing or anything like that. It was a pure bubble.

Housing prices are going to recalibrate down to where they match off against rents, where they match off against personal incomes.

JEFFREY BROWN: All right, let me bring Neil Irwin back in here, because this discussion -- I assume this kind of discussion is going on in Washington about how to -- you know, early on, there were concerns about what's called moral hazard and sending the wrong incentives to people, how to limit any kind of program. What kind of discussion or worries do you get on the Hill and in Treasury right now?

NEIL IRWIN: Well, think about it this way. If you create a program where you say, "If you can't afford your mortgage or it's hard to afford your mortgage, you can renegotiate it with some government help," that can almost create incentives.

People who are kind of scratching by, and really stretching, and maybe working a second job to try and keep up with their mortgage payments, they might have an incentive then to just default, to just stop paying their mortgage, and then they could be subject and benefit from some kind of government program along these lines.

You know, there's a lot of perverse incentives that can come along, and that's what a lot of Republicans especially are worried about.

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You know, the truth is, the FDIC, under Sheila Bair, they took over -- they're kind of doing an experiment on this right now. They ended up taking over the failed bank IndyMac back in August, and they said, you know, we're going to move aggressively to try and renegotiate mortgages to help people out.

They had 60,000 people either in some stage of the foreclosure process, 60,000 mortgages. As of last week, only 3,500 of those had successfully been renegotiated. We're talking about massive, massive numbers of mortgages, and dealing with individual homeowners, thousands of people all over the country. It's a very big challenge.

JEFFREY BROWN: All right, Bruce Marks, I know you wanted to jump back in. Go ahead.

BRUCE MARKS: Yes, please. Look, let's talk about the reality of what's going on, on the ground. There are solutions that are working now.

When you talk about -- you've got Secretary Paulson. He controls Fannie and Freddie. They have 50 percent of all the mortgages in this country.

Now, Fannie says that you have to be four months late before they will restructure the mortgage. Fannie says that they will not reduce the interest rate less than the market value, less than the market rate. They will never reduce their principal.

They're the biggest problem. So, in essence, the American taxpayer, who owns Fannie Mae, is foreclosing on themselves. And so if we want to do a dramatic solution, something that's going to help virtually the whole industry, every homeowner at risk of foreclosure, we change the practices of Fannie Mae, because it's not just for the 30 percent of the mortgages that they own or that they guarantee or Freddie, the 20 percent that they own or guarantee, but whatever they do become the accepted solution for the industry.

And then let's take the Sheila Bair standard. When Sheila Bair took over IndyMac, what did she do? First thing, a moratorium on foreclosures. Second thing, stop the interest rate increases. Third thing, restructure the mortgages based on what the homeowner can afford.

Well, if Sheila Bair can do that as head of the FDIC and she owns IndyMac, and if NACA can do it as a nonprofit mortgage broker, why can't we have Secretary Paulson, who owns Fannie and Freddie, and they can set the industry standard?

We don't have to go through the gymnastics of giving the deed back and re-renting it, or refinances, or using the taxpayer money. We can do it the right way, with the solutions that are already there staring in our face.

JEFFREY BROWN: All right. I think we're going to have to leave it there, but we'll come back to this no doubt in the coming days or weeks as the plan develops. Bruce Marks, Daniel Alpert, and Neil Irwin, thanks all very much.

(BREAK)

JIM LEHRER: Finally tonight, a report from Haiti on the recovering from three deadly hurricanes. The reporter is special correspondent Fred de Sam Lazaro.

FRED DE SAM LAZARO, NewsHour Correspondent: When the food supplies arrive in Gonaives, so do the riot police from the U.N. peacekeeping mission in Haiti. They bring some order, but not food for everyone.

A stream of mostly women leaves empty-handed.

HAITIAN WOMAN (through translator): I'm dying of hunger, and so are my kids. I came here to get food, but they've given it all away. I haven't eaten anything today. I'm still hungry. I have nothing. Whatever you give me is all I'd have.

FRED DE SAM LAZARO: They are among perhaps 800,000 Haitians, 10 percent of the population, displaced by the storms, which took at least 300 lives.

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One month after the last hurricane ripped through, roads are still barely usable, still covered with flood waters that are now reduced to a toxic sludge of oils and other pollutants.

PRESIDENT RENE PREVAL, Haiti (through translator): Just in Gonaives, we have 3 million cubic meters of mud. You can imagine the effort that is needed. I hope the international community understands the profound catastrophe Haiti is going through.

FRED DE SAM LAZARO: Haiti's president, Rene Preval, has had to rely on the international community to both fund and lead the relief operation in a country where 80 percent live in what the U.N. calls absolute poverty, crippled for years by political and economic meltdown.

One key player so far has been the non-government group Doctors Without Borders. Max Cosci is a director.

MAX COSCI, Doctors Without Borders: There is a danger of some outbreaks of some diseases. We are really in a high risk at this moment, red alert, if you want to put it like this.

FRED DE SAM LAZARO: Red alert?

MAX COSCI: Yes, there is a large part of the population that doesn't have any access to clean water. And you know after a while that you don't find this capacity to have clean water, you start to drink what you find.

FRED DE SAM LAZARO: For 51-year-old Odette James, that meant drinking floodwaters that she stood in for hours.

ODETTE JAMES (through translator): There were bowls and plates lying around. We just scooped up the water and drank it without filtering it.

FRED DE SAM LAZARO: Just outside her temporary shelter in a school building, the doctors group began an outpatient clinic. Diarrhea from contaminated water was a common problem here.

About 120 anxious mothers with infants and a few elderly craved their first medical attention since the hurricanes. Two-year-old Kelly was triaged to the top of the line to see Dr. Louis-Jacques Ismael, with swollen face and limbs and aggressive skin rashes.

DR. LOUIS-JACQUES ISMAEL, Doctors Without Borders (through translator): The little child that you saw is malnourished. And one of the symptoms of that malnourishment is that you have the dermatitis that rises up on the skin, and this is what we are seeing very, very often now.

FRED DE SAM LAZARO: Kelly's mother received medicines and a nutrient- rich formula given to malnourished children. In Haiti, even before the hurricanes, a quarter of all children were chronically malnourished.

The key to Kelly's recovery will also be access to food and clean water, something that eludes half the population in the best of times.

Centuries of deforestation for lumber and cooking fuel has eroded the soil, washing it into rivers and streams. Now floodwaters from the hurricanes have contaminated wells, and Gonaives' water pipe network, flimsy before, is useless, says Riguelle Gilles, a project worker for the doctors group.

RIGUELLE GILLES, Doctors Without Borders: We lose 80 percent of the water from the reservoir every day, which is way too much.

FRED DE SAM LAZARO: Just so I understand it, you're say that, by the time the gets from the reservoir into the city, 80 percent of it leaks out?

RIGUELLE GILLES: Yes.

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FRED DE SAM LAZARO: Non-government groups are trucking potable water from the city's reservoir in large rubber bladders, then installing these on roof tops. Transporting the water and finding available rooftops has been difficult.

RIGUELLE GILLES: (inaudible) right now, right today. We're touching around a third. The first goal we're doing now is providing potable water to maximum of population. And the next stage will be cleaning the wells.

FRED DE SAM LAZARO: Preventing disease is just one-half of the public health task. The other is to rebuild health care facilities, which were demolished by the storms.

This warehouse was spared by the hurricanes, and it's being quickly converted into an 80-bed hospital. The construction workers aren't finished yet, but the hospital work is already in full swing, since it's the only hospital now in Gonaives, a city of more than 200,000 people.

PIERRE MALCHAIR (through translator): We've got all our patients here right now, internal medicine, surgery, until we finish the other rooms.

FRED DE SAM LAZARO: Pierre Malchair is on the medical staff.

PIERRE MALCHAIR (through translator): One major frustration is there are large needs in the population but we won't have enough diagnostic facilities. We have medicines, but we don't have laboratory, we don't have radiology, and surgery is limited.

FRED DE SAM LAZARO: But the hospital is meeting its most critical need, says gynecologist Rodnie Senat.

DR. RODNIE SENAT (through translator): Since we set up the field hospital, the first day we had two deliveries. And up until now, we've delivered 15 babies.

FRED DE SAM LAZARO: Dr. Senat is volunteering here on a month's leave from her private practice in the capital, Port-au-Prince. A longer term worry is the lack of doctors; there's just one for every 10,000 people in Haiti.

Doctors from Cuba and aid agencies partially fill the void. In Gonaives, it will be months, perhaps years, before a new permanent hospital, planned for higher ground, will be ready.

Despite the challenges, President Preval and his cabinet vow Haiti will **build back better** than it was before. Their country, born out of a slave revolt, and beset by invasions and civil war for 200 years, has been relatively quiet, thanks, in part, to 8,000 U.N. peacekeepers.

Preval, elected in 2006, says peace is the first priority.

RENE PREVAL (through translator): The U.N. has a mission here for stability. It's called MINUSTAH, to help restore peace and democracy.

In 2005, 2006, if you'd been here, you wouldn't have been able to go to Gonaives, walk the street. Today, we have restored peace to the country. It's the beginning of the country's rebuilding.

FRED DE SAM LAZARO: With a \$200 million credit from a Caribbean fund, the slow clean-up is beginning in Gonaives, roads first, then homes. President Preval says a public works program will put people to work.

Odette James is not sure when or how she'll restore her livelihood as a seamstress, which is also the future, she says, for her children.

ODETTE JAMES (through translator): I lost chairs, cooking pots, kids clothing. But the only thing I really cared about was my sewing machine. And I had a lot of material to sew for school uniforms. I lost all that, too.

The money that I would have made from selling uniforms I would have used to send my kids to school.

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FRED DE SAM LAZARO: The big concern for Max Cosci of Doctors Without Borders is that the recovery effort be sustained.

MAX COSCI: My fear is that the work will be done for the next month and then slowly, slowly will stop. It's a little bit what happened with the media, with the press. I was there in the first days. There was a lot of journalists, a lot of media coming, making interviews, spending time there. And now you see that slowly their attention is getting in somewhere else, because it's not anymore the news.

But the needs are still there. And I can tell you that the danger is more now than before. You had the death at the beginning, but now you have the risk to have much more death in the future, if things are not done correctly and in a massive way.

FRED DE SAM LAZARO: There's also worry about money for the rebuilding. So far, only about a third of the \$108 million pledged by donor countries through the U.N. has actually materialized.

(BREAK)

JIM LEHRER: And, again, the major developments of this day.

Alaska Senator Ted Stevens was found guilty on seven charges of corruption.

And on Wall Street, the Dow Jones Industrial Average dropped another 200-plus points.

We'll see you online and again here tomorrow evening. I'm Jim Lehrer. Thank you, and good night.

**Load-Date:** October 28, 2008