



FRIENDS OF THE MIDDLE NEWSLETTER #146 — MAY 25, 2012

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<http://www.FriendsOfTheMiddle.org> FriendsOfTheMiddle@hotmail.com

INDEX: Click here.

Canadian Protests: Silence in the U.S.

(posted by Steven W. Baker / SteveB, May 25, 2012)

The powers that be don't want you to know about this. Interesting how readily governments are willing to eliminate freedoms. But, of course, not in the U.S., right?



"Unreported! Media Malfeasance as 400,000 March in Montreal" OpEdNews

May 23, 2012, (http://www.opednews.com/Quicklink/Unreported-Media-Malfeasance-in-General_News-120523-668.html)

Recognizing the 100th day of mobilization against a proposed 80% tuition hike in Quebec, the largest crowd in Canadian history assembled March 22. Responding to hasty passage of a 'special law', students supporters topped the impressive turnouts of March 22 with 200,000-250,000 reported and another 310,000 reported the following day. Following the resignation of the Education Minister, Parliament enacted an unprecedented provincial law suspending civil liberties by restricting gatherings of 50 or more and imposing fines on anyone vaguely involved. The law was immediately challenged on Constitutional grounds, prompting defiance Tuesday with the wearing of newly banned masks and banging pots and pans. The government agreed to 'conditional' talks only after 100 were arrested in what me a showdown on the new law. Tellingly, US media saw no urgency in reporting this developing story.

"Biggest Act of Civil Disobedience in Canadian History" Common Dreams

May 23, 2012, (<http://www.opednews.com/populum/linkframe.php?linkid=150753>)

(Marchers defy Bill 78; Neighborhoods fill with sound of banging pots and pans.)

"The single biggest act of civil disobedience in Canadian history."

That's how yesterday's Montreal protest is being described today. Hundreds of thousands of red-shirted demonstrators defied Quebec's new "anti-protest" law and marched through the streets of downtown Montreal filling the city with "rivers of red."

Tuesday marked the 100th day of the growing student protests against austerity measures and tuition increases. In response to the spreading protests, the conservative Charest government passed a new "emergency" law last Friday -- Bill 78.

Since Bill 78 passed, people in Montreal neighborhoods have appeared on their balconies and in front of their houses to defiantly bang pots and pans in a clanging protest every night at 8 p.m. Bill 78 mandates:

Fines of between \$1,000 and \$5,000 for any individual who prevents someone from entering an educational institution or who participate in an illegal demonstration.

Penalties climb to between \$7,000 and \$35,000 for protest leaders and to between \$25,000 and \$125,000 for unions or student federations.

All fines DOUBLE for repeat offenders.

Public demonstrations involving more than 50 people have to be flagged to authorities eight hours in advance, include itinerary, duration and time at which they are being held. The police may alter any of these elements and non-compliance would render the protest illegal.

Offering encouragement for someone to protest at a school, either tacitly or otherwise, is subject to punishment. The Minister of Education has said that this would include things like 'tweeting', 'facebooking', and has she has implied that wearing the student protest insignia (a red flag-pin) could also be subject to punishment.

No demonstration can be held within 50 meters of any school campus.

Bill 78 not only "enraged civil libertarians and legal experts but also seems to have galvanized ordinary Quebecers." Since the law passed Friday, people in Montreal neighborhoods have appeared on their balconies and in front of their houses to defiantly bang pots and pans in a clanging protest every night at 8 p.m.

The CBC (Canadian Broadcasting Corporation) reports:

CLASSE spearheaded Tuesday's march, aided by Quebec's largest labor federations. The province's two other main student groups, FEUQ and FECQ, also rallied their supporters.

CLASSE said Monday it would direct members to defy Bill 78, Quebec's emergency legislation.

The special law was adopted last Friday, suspending the winter semester and imposing strict limits on student protests. Organizers have to submit their itinerary to authorities in advance, or face heavy fines.

CLASSE spokesman Gabriel Nadeau-Dubois said the special legislation goes beyond students and their tuition-hike conflict.

"We want to make the point that there are tens of thousands of citizens who are against this law who think that protesting without asking for a permit is a fundamental right," he said, walking side by side with other protesters behind a large purple banner.

"If the government wants to apply its law, it will have a lot of work to do. That is part of the objective of the protest today, to underline the fact that this law is absurd and inapplicable."

Time-Lapse Video: <http://www.cbc.ca/video/#/ID=2238312603>.

The Montreal Gazette reports:

A protest organizers described as the single biggest act of civil disobedience in Canadian history choked the streets of downtown Montreal in the middle of Tuesday's afternoon rush hour as tens of thousands of demonstrators expressed outrage over a provincial law aimed at containing the very sort of march they staged.

Ostensibly Tuesday's march was to commemorate the 100th day of a strike by Quebec college and university students over the issue of tuition increases. But a decision last Friday by the Charest government to pass Bill 78 - emergency legislation requiring protest organizers to provide police with an itinerary of their march eight hours in advance - not only enraged civil libertarians and legal experts but also seems to have galvanized ordinary Quebecers into marching through the streets of a city that has seen protests staged here nightly for the past seven weeks.

"I didn't really have a stand when it came to the tuition hikes," said Montrealer Gilles Marcotte, a 32-year-old office worker who used a vacation day to attend the event. "But when I saw what the law does, not just to students but to everybody, I felt I had to do something. This is all going too far."

Tuesday's march was billed as being two demonstrations taking place at the same time. One, organized by the federations representing Quebec college and university students and attended by contingents from the province's labor movement, abided by the provisions of the law and provided a route. The other, overseen by CLASSE, an umbrella group of students associations, deliberately did not.

By 3: 30 p.m., a little more than 90 minutes after the marches began to snake their way through downtown, CLASSE, which estimated the crowd at 250,000, described the march as "the single biggest act of civil disobedience in Canadian history."

Other crowd estimates varied between 75,000 and 150,000 protesters. Montreal police do not give official crowd estimates but the Place des festivals, which demonstrators easily filled before the march began, holds roughly 100,000 people.

The Canadian Press reports:

Shortly before the evening demonstration commenced, supporters in central Montreal districts came out onto their balconies and in front of their homes to bang pots and pans in a seeming call-to-arms.

As well, the powerful Montreal transit union also gave protesters a boost when it called on its members to avoid driving police squads around on city buses during the crowd control operations. Montreal police have for several years used city buses as well as their cruisers to shuttle riot squad officers around to demonstration hotspots and as places to detain prisoners.

The daytime march was considered to be one of the biggest protests held in the city and related events were held in New York, Paris, Toronto, Calgary and Vancouver.

Gabriel Nadeau-Dubois, co-spokesman for the hardline CLASSE group, described Tuesday's march as a historic act of civil disobedience and said he was ready to face any legal consequences.

"So personally I will be ready to face justice, if I need to."

FotM NEWSLETTER #146 (May 25, 2012)—HYPERTEXT INDEX

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20120524-01	11:13	Phil	Fw: Memorial Day Reminder
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DAVE GRANLUND © www.davegranlund.com

20120524-02	11:59	Pam	Re: From the Right: "Leftists Continue to Misuse & Undermine American Exceptionalism" (FotM Newsletter #144)
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If I keep reading interesting articles in FotM, I'm afraid I'm just going to keep writing responses to them. If you choose to read them, I thank you. If not, that's OK too.

The piece by Jerrett Steadman on American exceptionalism certainly caught my attention. First of all, I am a self-proclaimed liberal, not a socialist, and to me that is a crucial distinction, though it doesn't appear to be to be to Steadman.

"These American values are antithetical to the left-wing agenda, something educated liberals are keenly aware of. That is why they must discredit and subvert them at every opportunity, hence the attempted connection of American exceptionalism to Stalin."

What is this "liberal agenda?" No liberal I know wants an infringement of individual liberty or central planning. What we do want is fairness, compassion, and common sense. (I should probably not speak for all liberals, but just for myself.) The "American values" Steadman describes are ones I ascribe to as well.

"American exceptionalism is based on traditional characteristics embraced by American culture and described by Tocqueville: liberty, equality of opportunity, individualism, popular government and laissez-faire economics. It runs counter to collectivism, top-down government control, a massive and unaccountable bureaucratic-administrative state and equality of outcome.

These are the collectivist and statist ideologies that America resisted and defeated in the 20th century. It is why liberals must claw and scratch at every opportunity to undermine America's very old, yet radically different values."

Except for "laissez-faire economics." I find nothing to quarrel with in Tocqueville's description of American culture. I would, however, substitute a well-regulated free-market economy that provides opportunity to the majority, rather than a no-holds-barred competitive arena where the winner takes all. Individualism, popular government, opportunity, personal freedom--what liberals object to those? I'd like to see just one example of one of these clawing, scratching liberals at work. It certainly isn't Obama.

I do appreciate Steadman's effort to explain a conservative viewpoint about American exceptionalism, a phrase that sets my teeth on edge. One can be a patriot without being a jingoist, and asserting that America and Americans are "better" than anyone else on earth is pure hubris, and we can see where overweening pride got the ancient Athenians. It would be polite, if nothing else, if we would stop crowing about how great we are and let our actions speak for us. I agree with ideals of freedom and opportunity and all the rest of it, but I am not naive enough to suppose that having ideals is enough to ensure good outcomes. We have an advantage over countries like Somalia or even Italy by virtue of our democracy, but we are not immune from error, corruption, greed, and the will to power.

The most disturbing aspect of our present political climate, to me, is the obliteration of tolerance. Disparate interest groups administer litmus tests to determine who is in and who is out. They ask, "Did you sign our pledge?" Not, "Give us your opinion."

Despite the fact that I don't understand the logic of the conservative stance a lot of the time, I am not displeased when I find points of congruence with my own thinking. I am willing to give the benefit of the doubt to conservatives who act in good faith for what they perceive to be the greater good. I do not automatically assume they have an "agenda" that is monolithic and restrictive (counter to abundant examples of same). Nor do liberals have a plan or a desire to subvert our democracy, our religious toleration, or our reliance on competition. To assert such nonsense, as Steadman does, is to distort both the truth and the integrity of free and open discussion.

20120524-06

13:37 SteveB

Re: From the Right: "Leftists Continue to Misuse & Undermine American Exceptionalism" (reply to Pam, above)

I like what President Obama said about the alleged American exceptionalism:

I believe in American exceptionalism, just as I suspect that the Brits believe in British exceptionalism and the Greeks believe in Greek exceptionalism.

It might have been well to mention the ancient Greeks, the Romans, the Egyptians, the leaders of the Ottoman Empire, Joseph Smith, Jr., Chiang Kai-shek, Stalin, Hitler, etc., etc. All those who have fallen as much because they thought they were exceptional as any other reason.

But Republicans don't care to know about history.

20120524-03 13:14 SteveB "What Do Corporations Want?"

"What Do Corporations Want?" by William Astore, NationofChange

May 24, 2012, (<http://www.nationofchange.org/what-do-corporations-want-1337864442>)



(Generally speaking, major corporations prefer minimal pay and benefits for workers, a largely uncritical and powerless workforce and minimal taxes, as well as unlimited power for themselves, which they can then employ to influence elections and maximize profits.)

In the Supreme Court's *Citizens United* decision from January 2010, we learned that corporations are citizens, entitled to the freedoms and rights we as ordinary American citizens enjoy. "Corporations are people, my friend," insisted Mitt Romney to a group of hecklers on the campaign trail.

So, if corporations are people (a special class of people with lots and lots of money and influence and power), it's fair to ask what they want. Do they want the same things as the average citizen? Do they want decent pay for all, adequate health care for all, a solid education for all, and democratic structures that foster individual creativity, informed dissent and equitable power-sharing?

To ask these questions is to answer them. Generally speaking, major corporations prefer minimal pay and benefits for workers, a largely uncritical and powerless workforce and minimal taxes, as well as unlimited power for themselves, which they can then employ to influence elections and maximize profits.

In a word, they want control.

A largely unsung movie that captures this dream of corporate control is *Rollerball* (the original version with James Caan). It depicts a future in which there are no nations -- only major corporations like Energy, Housing, Transport, and Food. And these "majors," explains an executive played memorably by John Houseman, make "decisions on a

global basis for the common good." They provide. And all they ask of ordinary folk, Houseman intones, is gratitude in the form of silent compliance, a tacit agreement "not to interfere with management decisions."

But James Caan refuses to play along. Confronted by his ex-wife Ella, now married to a member of the executive class, Caan thinks back to a dim past when people had a choice between "nice things or freedom; of course, they chose comfort." "But comfort is freedom," Ella objects. Corporations are providers who merely want "a kind of incidental control over just a part of our lives," she concludes.

Refusing to be bought off, Caan triumphs in a violent sport whose rules are specifically designed to maim or kill him. (Think of this year's Hunger Games.) And we leave the theater celebrating his defiance.

Americans admire plucky individuals, those who cry "Give me liberty or give me death." But how much liberty do we truly have when we cede so much power to corporations? When the supreme court of our land essentially empowers corporations to thwart democracy and to buy elections?

In the spirit of Orwell, we recognize the tyranny implicit in the phrase, "All citizens are equal -- but some are (much) more equal than others." Yet despite this we've made it the law of the land. How much longer, then, until we're singing, like the crazed spectators in *Rollerball*, our very own corporate anthems?

20120524-04 13:19 SteveB From the Right: "Cocooned Liberals Are Unprepared for Political Debate"

Wishful thinking? Read this and maybe you will understand why Friends of the Middle seeks to draw the Right out of their hiding places, whenever possible.

"Cocooned Liberals Are Unprepared for Political Debate" by Michael Barone, *Human Events*

May 24, 2012, (<http://www.humanevents.com/article.php?id=51700>)

It's comfortable living in a cocoon -- associating only with those who share your views, reading journalism and watching news that only reinforces them, avoiding those on the other side of the cultural divide.

Liberals have been doing this for a long time. In 1972, the movie critic Pauline Kael said it was odd that Richard Nixon was winning the election, because everyone she knew was for George McGovern.

Kael wasn't clueless about the rest of America. She was just observing that her own social circle was politically parochial.

The rest of us have increasingly sought out comfortable cocoons, too. Journalist Bill Bishop, who lives in an Austin, Texas, neighborhood whose politics resemble Kael's, started looking at national data.

It inspired him to write his 2009 book *The Big Sort*, which describes how Americans since the 1970s have increasingly sorted themselves out, moving to places where almost everybody shares their cultural orientation and political preference -- and the others keep quiet about theirs.

Thus professionals with a choice of where to make their livings head for the San Francisco Bay Area if they're liberal and for the Dallas-Fort Worth Metroplex (they really do call it that) if they're conservative. Over the years the Bay Area becomes more liberal and the Metroplex more conservative.

But cocooning has an asymmetrical effect on liberals and conservatives. Even in a cocoon, conservatives cannot avoid liberal mainstream media, liberal Hollywood entertainment and, these days, the liberal Obama administration.

They're made uncomfortably aware of the arguments of those on the other side. Which gives them an advantage in fashioning their own responses.

Liberals can protect themselves better against assaults from outside their cocoon. They can stay out of megachurches and make sure their remote controls never click on Fox News. They can stay off the AM radio dial so they will never hear Rush Limbaugh.

The problem is that this leaves them unprepared to make the best case for their side in public debate. They are too often not aware of holes in arguments that sound plausible when bandied between confreres entirely disposed to agree.

We have seen how this works on some issues this year.

Take the arguments developed by professor Randy Barnett of Georgetown Law that Obamacare's mandate to buy health insurance is unconstitutional. Some liberal scholars like Jack Balkin of Yale have addressed them with counterarguments of their own.

But liberal politicians and Eric Holder's Justice Department remained clueless about them. Speaker Nancy Pelosi, asked whether Obamacare was unconstitutional, could only gasp: "Are you serious? Are you serious?"

In March, after the Supreme Court heard extended oral argument on the case, CNN's Jeffrey Toobin was clearly flabbergasted that a majority of justices seemed to take the case against Obamacare's constitutionality very seriously indeed.

Liberals better informed about the other side's case might have drafted the legislation in a way to avoid this controversy. But nothing they heard in their cocoon alerted them to the danger.

Another case in point is Wisconsin Gov. Scott Walker's law restricting the bargaining powers of public employee unions. The unions and the crowds in Madison, which is both the state capital and a university town and which with surrounding Dane County voted 73 to 26 percent for Barack Obama, egged each other on with cries that this would destroy the working class. No one they knew found this implausible.

The unions had an economic motive to oppose the laws and seek to recall first Republican legislators and then Walker himself. The law ended the automatic checkoff of union dues, which operated as an involuntary transfer of money from taxpayers to union leaders.

But voters declined to recall enough Republicans to give Democrats a majority in the Senate, and Walker currently leads Milwaukee Mayor Tom Barrett in polls on the June 5 recall election.

The Madison mob seemed unaware that there were attractive arguments on Walker's side.

Why should public employee union members pay less for health insurance and get fatter pensions than the taxpayers who pay their salaries? Why is it a bad thing for property taxes to be held down and for school districts to cut perks for union members enough to hire more teachers?

Beyond the Madison cocoon, in Wisconsin's other 71 counties, which voted 55 to 44 percent for Walker in 2010, such arguments are evidently proving persuasive. Maybe liberals should listen to Rush every so often.

20120524-05	13:28	SteveB	Daily Kos Petition: Thank the 23 Attorneys General for Standing Against <i>Citizens United!</i>
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from Daily Kos:

Please sign the petition thanking the attorneys general from 23 states and D.C. who are taking part in a lawsuit challenging the authority of Citizens United to override laws that limit corporate spending in state elections. Click here to sign the petition from Daily Kos and Democracy for America:

<http://democracyforamerica.com/activities/782?t=dk1>.

Late last year, the Montana Supreme Court made the first crack in *Citizens United* by upholding a century-old state law banning direct corporate spending for or against candidates in state elections. Not long afterward, a right-wing group asked the U.S. Supreme Court to overrule that decision. Now, as the U.S. Supreme Court considers the case, the attorneys general from 22 states and D.C. have filed an amicus brief supporting Montana Attorney General Steve Bullock's bid to maintain limits on corporate spending in state elections.

With nearly half of all states on board, this is the largest coordinated legal effort against *Citizens United* yet. Winning this lawsuit would immediately curtail the corrosive effect that unlimited corporate dollars are having on our democracy at the state level, and also be a major step toward overturning *Citizens United* nationwide.

Please join with Daily Kos and Democracy for America by signing our petition thanking all of the attorneys general who are fighting against *Citizens United*. We will send them the signatures.

Keep fighting, Chris Bowers, Campaign Director, Daily Kos

20120524-07	23:44	Dale	"USDA Is a Tough Collector When Mortgages Go Bad"
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I'm sure all of you are as outraged with this administration as I am. We gotta get rid of Obama.

"USDA Is a Tough Collector When Mortgages Go Bad" by Ruth Simon, *The Wall Street Journal*

May 24, 2012, (<http://online.wsj.com/article/SB10001424052702304371504577406002591760584.html>)

Charles Ward fell behind on his mortgage in September, just as his late wife began a losing battle with lung cancer and her medical costs soared.

His lender seized his \$2,958 federal tax refund and has taken a \$131 bite from each of his last four monthly Social Security checks.

"What little money I had saved up has just disappeared," says Mr. Ward, a 71-year-old former truck driver who bought his \$128,000 home in Nelsonville, Ohio, in 2008. He receives about \$200 a month in food stamps and takes on odd jobs to make ends meet.

Mr. Ward's lender isn't a bank. It is the U.S. Department of Agriculture's Rural Housing Service, which provides mortgage loans to rural homeowners and guarantees loans made by banks. It accounted for at least a third of all mortgages issued in 2010 in sparsely populated areas such as Morton County, Kan., and Sioux County, Neb., according to data reported under the Home Mortgage Disclosure Act.

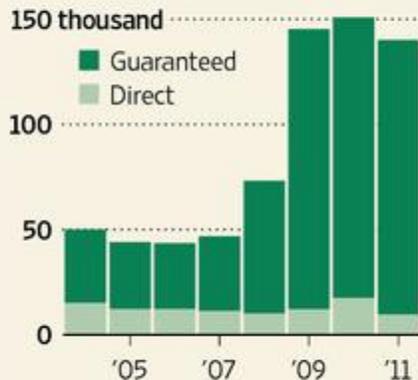
Unlike private firms, the USDA doesn't need permission from a court to start collecting on unpaid debts. It can in some cases seize government benefits and tax refunds before a foreclosure is completed. After foreclosure, the USDA can go after unpaid balances, even in states that limit such actions by private lenders.

A USDA spokesman says the agency follows all federal and state laws.

The Treasury Department collected \$45 million in delinquent USDA mortgage debt from borrowers in the last fiscal year, up from \$23 million in fiscal 2007. At the end of fiscal 2011, \$779.2 million in delinquent USDA mortgage debt was awaiting collection, up from \$420.7 million in 2007.

A Growing Player

U.S. Department of Agriculture
home mortgage loan originations



Source: USDA

The Wall Street Journal

The USDA is wielding its special powers even as the Obama administration is forcing private banks to give strapped homeowners a break. Under a \$25 billion settlement over questionable foreclosure practices announced in February, five large banks agreed to slash loan balances and forgive the debt of borrowers who lost homes to foreclosure.

USDA Rural Housing Administrator Tammy Treviño says the agency strives to work with borrowers "to offer a path back to sustainability."

"Where these efforts aren't successful and the homeowner goes into foreclosure," she says, "we actually have a process that we are required by statute to follow to collect on the debts owed."

USDA officials say their actions are required by the federal Debt Collection Improvement Act of 1996, enacted well before the housing bust produced a wave of delinquencies. They say the agency came under pressure from its own Inspector General in 1999 and from the Government Accountability Office a few years later for being too soft on delinquent borrowers.

The USDA started making loans to farmers in 1949, then expanded its programs to other rural residents. A 1990 law allows it to guarantee bank loans issued by banks.

The agency is a small player in the overall mortgage market, holding or backing about 944,000 loans totaling \$84.4 billion. That is less than 1% of the \$9.4 trillion in U.S. mortgage debt outstanding.

But since the mortgage crisis began in 2007, the USDA's loan volumes have tripled. The agency guaranteed \$16.9 billion in loans in fiscal 2011, and issued \$1.1 billion in direct loans.

Critics say the USDA's collection practices are troubling because the federal agency lends to low- and moderate-income homeowners, many of whom have been hurt by job losses and falling home prices. The USDA lets borrowers finance up to 102% of a home's value. About 12% of its guaranteed loans and 17% of direct loans are delinquent or in foreclosure.

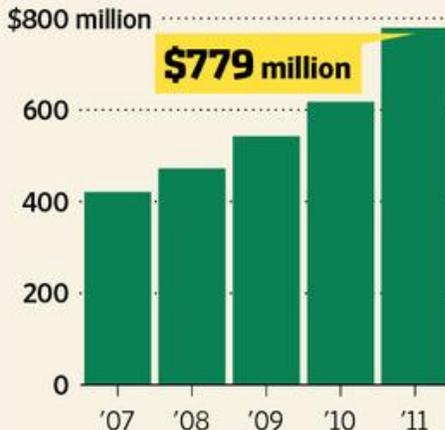
Cracking Down on Borrowers

The amount of delinquent USDA mortgage debt subject to collection has climbed since the start of the financial crisis.

Delinquent USDA mortgage debt collected by the Treasury Department



Delinquent USDA mortgage debt referred to Treasury for collection



Note: Figures include debt referred to Treasury in the current fiscal year plus debt referred in prior years that is still eligible for collection.

Source: Treasury Department, based on USDA filings

The Wall Street Journal

The agency is "pulling blood out of a stone," says Gideon Anders, an attorney with the National Housing Law Project who has sued the USDA on behalf of borrowers seeking loan workouts.

The USDA says guaranteed loans are generally not referred to collection until the foreclosed home has been sold and the lender has been paid. A spokesman said borrowers with loans issued directly by the USDA have "multiple opportunities" to avoid collection by working with the agency. He said USDA often negotiates settlements that reduce the debt amount or cancel it entirely—if the borrower shows no ability to pay.

While several federal agencies help consumers get mortgages, their collection standards vary greatly.

Since 2003, the USDA has required borrowers who take out a guaranteed loan to sign a form acknowledging the agency "will use all remedies available" to collect unpaid debt.

The Federal Housing Administration and Veterans Administration, which also guarantee mortgage loans issued by private lenders, say they generally don't pursue borrowers for debt left after foreclosure. "We'd gain nothing by placing an even greater debt burden on the borrower," an FHA spokeswoman says.

The VA says Congress in late 1989 enacted legislation preventing it from collecting deficiencies, except in cases of "fraud, misrepresentation or bad faith on the part of the veteran."

Some borrowers now say they didn't know what they agreed to when they signed the USDA form. "It was a shock when I got the note that they were going to garnish my Social Security check," says Jeanne Marie Andersen, a 74-year-old widow who lives in Lake Crystal, Minn., and took out a USDA loan in 2007.

Ms. Andersen lost her home to foreclosure in 2010, after she lost her job as a cook at a local restaurant. She now receives food stamps and lives in low-income housing.

She filed for bankruptcy protection in February to block the USDA from taking \$113 a month from her \$863 Social Security check to repay some of the roughly \$50,000 she owes the government.

USDA officials declined to comment on specific examples for reasons of borrower privacy, but said that agency staff inform borrowers seeking direct loans of their repayment obligations before the loan is completed. They say lenders making guaranteed loans are responsible for making sure borrowers understand their responsibilities.

The Treasury Department handles USDA collections of delinquent debt. Its arsenal includes taking tax refunds, seizing up to 15% of Social Security payments and garnishing up to 15% of a borrower's take-home pay. It can also tack on up to 28% to cover collection costs.

On guaranteed loans, the USDA's ability to pursue collections often turns on whether the borrower has signed a single piece of paper tucked in a pile of mortgage closing documents.

Antonio Ponce, 40, and Alicia Arambula, 34, got a USDA-guaranteed mortgage from a broker in 2005. The couple lost their jobs at chicken farms in July 2009, and J.P. Morgan Chase & Co., which had purchased the loan from the mortgage broker, foreclosed on their Albertville, Ala., home later that year. The USDA in August 2011 began garnishing the wages Mr. Ponce now earns as a construction worker to collect a \$48,300 debt, including fees.

During a hearing before an administrative law judge in October 2011, the couple said they never signed the form obligating them to reimburse the government for any losses. A USDA attorney acknowledged the signature didn't match Mr. Ponce's signatures on other documents, according to a hearing transcript. The agency dropped the claim. A spokeswoman for J.P. Morgan declined to comment.

The USDA says that of the 984 borrowers who appealed USDA collections and other adverse actions in fiscal 2011, the agency's position was upheld roughly 90% of the time. A spokesman said the agency "seeks to ensure that all paperwork is correctly and properly executed" prior to guaranteeing the loan.

The USDA has the power to collect on debts owed after a foreclosure, even in states where similar actions by private lenders would violate the law.

Matthew Earl, a maintenance worker, took out a \$74,000 USDA-backed loan in 2006 to buy a three-bedroom home in Chickasha, Okla. Mr. Earl, 28, lost the home to foreclosure in 2009. J.P. Morgan Chase sold the home in April 2010 for \$55,500, according to an administrative order filed in the case. After making J.P. Morgan whole, the USDA began garnishing Mr. Earl's wages and seized his roughly \$7,000 tax refund.

Under Oklahoma law, lenders must go to court within 90 days of a completed foreclosure to secure the right to collect leftover debt, says Mr. Earl's attorney, Mark T. Hamby, adding that J.P. Morgan didn't do so. But in a February decision, an administrative law judge found the guarantee form Mr. Earl signed gave the USDA a separate right to garnish his wages. A J.P. Morgan spokeswoman declined to comment.

In this case, the government collected more from Mr. Earl than the 15% permitted by federal law, according to the administrative order. The judge ordered the USDA to repay Mr. Earl and allowed the government to garnish only 5% of his disposable pay until March 2013 to repay the \$42,200 debt, including collection costs. A higher amount would cause "financial hardship," according to the order, which noted that Mr. Earl couldn't afford to pay for his wife's health insurance and had pulled his daughter out of prekindergarten.

Both the USDA and Treasury Department declined to comment on individual cases, but Ronda Kent, a Treasury official overseeing the debt-collection program, said garnishment calculations are done by the employer using a Treasury Department form.

The USDA's policies are restrictive when it comes to modifications by lenders of guaranteed loans and the agency has been less flexible than banks in reworking direct loans, says Dan Williams, program director for LSS Financial Counseling Service in Duluth, Minn.

For the private loans the USDA guarantees, the agency since late 2010 has had its own version of the Obama administration's Home Affordable Modification Program, which aims to make troubled loans more affordable. Through March, 10 such modifications had been completed. Overall, lenders completed about 354,000 modifications under the Obama program last year, according to Hope Now, an industry group.

The USDA says it has approved 215 modifications under the program, with 67 canceled by the lenders and 138 awaiting completed paperwork.

For loans made directly to borrowers, the agency sometimes cuts the interest rate or suspends payments for up to two years. A seven-month payment holiday helped Mary Beall avoid falling behind on her \$142,000 USDA mortgage after she was seriously injured in a car wreck in 2009.

"They took care of me until I went back to work," says Ms. Beall, who couldn't return to work for more than four months because of her injuries.

About 4,000 borrowers are currently on payment holidays, according to USDA officials. Roughly 8,900 borrowers are on repayment plans, the USDA says. Banks last year completed more than one million modifications, according to Hope Now.

There is another difference: While the government has pressed private banks to reduce homeowners' monthly payments, USDA borrowers who receive payment holidays often end up with even higher payments later.

That is because the USDA adds unpaid amounts onto the loan balances—and then raises the monthly payment so the loan can be repaid in the same time. A USDA spokesman says the agency is required to take such actions.

Roger Beebe, a 56-year-old factory worker, took out a \$42,500 USDA direct loan to buy his home in Marietta, Ohio, in 1982 and another \$4,280 loan in 1995 to fix it up. When Mr. Beebe was laid off in 2009, the USDA gave him a two-year payment holiday. But when the term expired, the government raised his payments to \$669 from about \$150 so the larger mortgage could be repaid on time.

Mr. Beebe says he can't afford the higher payments. The USDA sent him a foreclosure notice last summer and this year seized his \$945 tax refund. "It's hard for me to understand what they were trying to achieve," says Mr. Beebe, who now earns \$8.50 an hour and expects to file for bankruptcy.

(Rob Barry contributed to this article.)

[20120524-08](#) 23:58 SteveG Graphic: Feeding vs. Bombing

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