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WASHINGTON — From the start of Tuesday's hearing on Capitol Hill, Treasury Secretary Henry Paulson and Federal Reserve Chairman Ben Bernanke's urgent call for an unprecedented federal bailout of the U.S. financial system was met by skepticism, criticism and even anger among senators in both parties.

Before long, it was clear that the sweeping proposal introduced late last week by Paulson, Bernanke and Securities and Exchange Commission Chairman Christopher Cox to try to ward off a devastating credit crunch will have to be altered — perhaps significantly — to win Congress' approval.

During the contentious hearing before the Senate Banking Committee, Paulson implored lawmakers to swiftly approve the White House's blueprint that would give the Treasury Department broad new powers to buy up troubled mortgage-backed securities and other assets. He urged senators to move "quickly and cleanly, and avoid slowing it down with other provisions that are unrelated or don't have broad support."

Paulson called the plan the "single most-effective" way to help taxpayers and the economy.

But skeptical lawmakers — who have been bombarded with phone calls and e-mails from constituents outraged by the notion of giving Wall Street a $700 billion bailout to help make up for careless lending and investment practices — were not prepared to support a three-page plan that many consider too vague.

Their questions hammered at Paulson and Bernanke about the proposed expansion of Treasury's powers while shielding it from legal challenges. Lawmakers also blasted what they said was the plan's failure to strengthen oversight of Wall Street and punish executives who have profited from risky mortgages. And they demanded to know why the plan doesn't guarantee that taxpayers would share in possible profits from mortgage bonds and other assets that would be acquired under the bailout program.

"This proposal is stunning and unprecedented in its scope and lack of detail," said Senate Banking Committee Chairman Chris Dodd, D-Conn. Later, Dodd was uncertain about the chances for swift congressional action on the plan, which the Bush administration wants passed by the end of the week.

"Congress is not a rubber stamp," said Sen. Jeff Sessions, R-Ala. "They're talking about a historic government intervention in the private sector, and they'd prefer the Congress not to ask questions."

Financial markets also concluded the bill had become a tougher sell in Washington. After starting the day in positive territory, stocks tumbled Tuesday as investors became concerned that lawmakers would not pass the bill. The Dow Jones industrial average ended the day down 162 points at 10,854.

Investors are "quite concerned that this is going to stall," says Conrad DeQuadros, senior economist at consulting firm RDQ Economics.

The sense that the White House proposal was an evolving document was evident before the hearing, as Paulson agreed to Democrats' call for provisions in the plan that would reach out to homeowners in danger of foreclosure, and to set up some type of oversight body that would examine the assets the Treasury Department would buy and sell under the program.

The key issues to be debated in the coming days include:

•Executive pay. Democrats and many Republicans are demanding limits on compensation for executives of companies that take part in the bailout. Sen. John Thune, R-S.D., says some view limiting executive compensation as a way to make the bailout more palatable.

Without it, "This will be a very hard sell to the American people," he says.

Bernanke and Paulson warned Tuesday that imposing mandates such as compensation limits on companies could make executives more hesitant to participate in any bailout program, which could make it far less effective. Executives at companies that need to sell their assets are taking a financial hit, Paulson assured lawmakers.

"When we have needed to come in and do something to save a failing institution, there have been very harsh consequences," Paulson said.

Sen. Bob Casey, D-Pa., said the administration's continued resistance to limits on executive pay "will be a huge stumbling block" if it's not dropped.

•Accountability. Lawmakers are uncomfortable giving Paulson — and his successor — the sweeping authority the plan seeks. The plan shields the Treasury Department from legal challenges and does not require any reporting to Congress until three months after the program begins. Treasury, which has proposed a two-year program, would hire Wall Street firms to manage asset purchases.

"It's unprecedented, unfettered power," said Sen. Barbara Mikulski, D-Md. "The intrinsic nature of our Constitution … was always checks and balances."

Paulson told senators he is not opposed to oversight. He said the administration plan presents a simple outline because he thought it would have been "presumptuous" to come up with an oversight mechanism, which he called Congress' role.

"We need oversight," he said. "We need transparency. I want it. We all want it."

Lawmakers have been discussing a variety of ways to oversee the program, including the possibility of having the Congressional Budget Office or Congress' Government Accountability Office oversee Treasury's work.

•Taxpayer protection. Lawmakers from both parties said that to sell voters on the legislation, Washington needs to include greater assurances that Wall Street firms will take a hit and that taxpayers will get back whatever profits the Treasury gleans from the sale of assets.

"Right now, Main Street hasn't seen what's in it for them," said Rep. Tom Reynolds, R-N.Y.

Bernanke pointed out that when the Fed provided an $85 billion loan to insurance giant American International Group, it made a claim on nearly 80% of AIG stock. But he said the proposed bailout program is a different matter. Companies whose troubled securities would be bought are not necessarily failing.

Bernanke said he does not want to threaten firms that are still operating and have reasonable business prospects because that could persuade them not to participate in the program.

Paulson had a stark reply to questions about taxpayers being on the financial hook for a system plagued by risky credit investments:

"Guess what: They're already on the hook. They got put on the hook by the system we had … the system Congress, administrations … let exist. If this system is not stabilized, they're going to bear the costs."

•Distressed homeowners. Several lawmakers say the White House's bill does too much to help Wall Street and not enough to directly help Americans in danger of losing their homes. Senators from both parties demanded changes, such as allowing bankruptcy judges to reduce the value of mortgages.

Bernanke pointed to a series of previous Fed efforts and recent legislation passed by Congress to try to get banks to write down mortgage loans. The recent takeover of mortgage giants Fannie Mae and Freddie Mac should also help, he said.

Paulson said the best thing to do is to make sure that the capital markets are open and running well.

Congress has two hearings on the plan scheduled for today.

Further complicating efforts at finding a middle ground is deep-seated distrust between the political parties — fueled by election-year politics — and between the Democrat-led Congress and the Republican White House.

Rep. John Murtha, D-Pa., says lawmakers who believe the Bush administration exaggerated the threat from Iraq before the war now wonder whether the dire warnings of a financial apocalypse are not similarly overblown. "For a guy who has been around a long time, I try not to be fooled more than once or twice," the 36-year House veteran says.

Murtha says mail and phone calls from his district are running 90% against the plan. Sen. Dianne Feinstein, D-Calif., has received 12,000 calls and e-mails from constituents, nearly all opposed to the Treasury proposal.

A poll by the Pew Research Center for the People & the Press that ended Monday night found 57% of Americans said the White House proposal is the "right thing" to do, while 30% were opposed to it.

Republicans were more likely than Democrats to favor the plan. Pew said Americans' interest in the economy is at its highest in Pew's nearly 20 years of polling.

Lawmakers aren't coming out against the bill in large numbers, aware of the potential political consequences of inaction. But few are ready to climb aboard.

"The longer it sits — it doesn't get improved — it gets complicated," says Reynolds, the New York Republican. " Each day that passes is that many days closer to an election."

Among the upset voters

is Carol McCulloch, who owns a housing appraisal business in Battle Creek, Mich. She says that on Election Day, she will consider how the measure took shape and how lawmakers voted.

"I don't think we can rush. Something of that magnitude — giving the power to one person — is insane," she says. "I would hope that they keep in mind the average Joe on Main Street, because they have been hurt badly and have been ignored while they worry about the fat cats."