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Santorum Runs From Record on Fannie, Freddie Housing Goals

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WASHINGTON - In his eight years on the Senate Banking Committee, Rick Santorum was an infrequent presence at committee hearings, even though his office was located on the same floor of the Dirksen office building as the committee's hearing room.

But there was one issue where the Pennsylvania Republican sought to play a leading role. Santorum, despite his reputation as a conservative stalwart, had a keen interest in providing disadvantaged families greater access to affordable housing.

In 2005, when Banking Committee Republicans were trying to tighten the regulation of [Fannie Mae](#) and [Freddie Mac](#), Santorum pushed to include language in the legislation that would strengthen their affordable-housing goals.

"We're very concerned about making sure that we do things in working with this legislation to improve the access to affordable housing," Santorum said during a July 28, 2005 hearing on the Senate bill.

He added that he wanted to orient Fannie and Freddie "toward taking a more active role in creating housing opportunities for low and moderate income families."

At the time, those words were largely uncontroversial, and Republicans on the Banking Committee agreed to adopt Santorum's amendment, voting down a Democratic alternative that would have imposed stricter affordable-housing requirements on Fannie and Freddie.

But six and a half years later, Santorum's record has a different tint. Rival GOP presidential candidates have embraced a theory that blames government policies aimed at expanding access to homeownership for the 2008 financial crisis.

Fannie and Freddie are at the center of this narrative, as are congressional Democrats. Conservatives who espouse the theory argue that near the height of the housing bubble in 2005, the two government-sponsored mortgage giants should have been far less oriented toward providing affordable housing - not more so, as Santorum was advocating.

During a November presidential debate, Mitt Romney argued: "The reason we have the housing crises we have is that the federal government played too heavy a role in our markets. The federal government came in with [Fannie Mae](#) and [Freddie Mac](#), and Barney Frank and Chris Dodd told banks they had to give loans to people who couldn't afford to pay them back."

Santorum, whose presidential campaign got a boost last week from a close second-place finish

in Iowa, has not disputed the theory that federal policies aimed at expanding home ownership to unqualified buyers were a major cause of the financial crisis.

In fact, he has suggested that he agrees with it - placing blame on Democrats without acknowledging his own history of seeking to use Fannie and Freddie to expand access to affordable housing.

In a Philadelphia Inquirer op-ed article from May 2010, Santorum seemingly attributed the financial crisis to Fannie, Freddie, and the affordable-housing goals of Democrats.

"In the 1990s, the Clinton administration pushed the mortgage giants to take on more subprime debt - and therefore risk - to accomplish Democrats' affordable-housing goals," Santorum wrote. "As Fannie and Freddie grew in size and risk profile, I and some of my Republican colleagues attempted to restrict their growth and reform them. Democrats opposed us, and they prevailed until it was too late."

Santorum's presidential campaign did not respond to two requests for comment for this article.

To understand why, during Santorum's days as a senator, he embraced the idea of expanding affordable housing, it helps to remember that at the time he portrayed himself as a "compassionate conservative."

That label - which has fallen out of favor among Republican politicians - was popularized by George W. Bush during the 2000 presidential campaign.

Santorum, a Roman Catholic who made a name for himself nationally with his conservative views on social issues, wrote an academic article in 2000 titled "A Compassionate Conservative Agenda: Addressing Poverty for the Next Millennium."

In the article, which was published in the University of Notre Dame Law School's Journal of Legislation, Santorum summarized his point of view by writing, "We must embrace legislative initiatives that lift greater numbers of the disenfranchised out of poverty while strengthening families and communities by increasing their social support structure and opportunities. This is compassionate conservatism."

Affordable housing was part of the policy agenda that Santorum laid out in that 2000 article. "Access to safe and affordable housing is a significant concern for low-income Americans seeking to pull themselves out of poverty," he wrote.

Between 2002 and 2005, Santorum was a key Republican co-sponsor of bipartisan affordable-housing legislation in the Senate.

The Community Development Homeownership Tax Credit Act would have encouraged the construction and rehabilitation of 500,000 homes for families with low and moderate incomes. Fannie and Freddie supported the legislation, and so did a variety of affordable-housing advocates, but it was never enacted.

Mark Calabria, a former Republican staffer on the Senate Banking Committee, said that Santorum thought of affordable housing as part of his compassionate conservative agenda.

"He had a good working relationship with what you would traditionally think of as the more left-wing housing groups in Pennsylvania," added Calabria, who is now director of financial regulation studies at the **Cato Institute**.

Liz Hersh, executive director of the Housing Alliance of Pennsylvania, which advocates for increases in affordable housing for the state's low-income residents, said in an interview that she initially found Santorum to be somewhat skeptical of her organization's mission. "I mean, he's not a big-government guy," she said.

But Hersh said that ultimately Santorum's values about the importance of family, along with the evidence that more affordable housing was needed, compelled the GOP senator to support housing programs that helped families to meet their basic needs.

She recalled that some of her organization's members took Santorum on a tour to see some examples of the substandard housing in which low-income Pennsylvanians were living.

"That had an impact, as well it should have," Hersh said. "What we really came to believe, you know, was that he was willing to listen and to use his position appropriately to do what's best for the families of Pennsylvania."

By 2005, there was a growing belief in Congress that Fannie and Freddie needed to be reined in after years of staggering growth. Early that year, then Federal Reserve Board Chairman Alan Greenspan, worried about the risks the two firms posed, called for restrictions on the size of their balance sheets.

A bill that was being developed by Republicans on the Senate Banking Committee would have limited the size of the mortgage portfolios at Fannie and Freddie. It also would have set up a new regulator for the firms, and it would have allowed the agency to raise the capital standards at Fannie and Freddie.

Santorum was not a key player in drafting the main parts of the bill, but he expressed interest in writing an amendment that would strengthen the existing affordable housing goals at Fannie and Freddie, according to a second former Senate staffer, who asked not to be identified.

"He suddenly became involved in this fight, and this was his piece of it," the ex-staffer said.

At the July 2005 hearing on the bill, it became clear that a partisan split on two specific issues would prevent Democrats from supporting the bill. Bipartisan support at the committee level was considered necessary to secure passage by the full Senate.

Democrats were concerned that limiting the size of the portfolios at Fannie and Freddie would damage the housing market and merely shift risk from the two mortgage behemoths to the large banks. On affordable housing, the Democrats wanted to go further than Santorum's amendment did - by establishing an affordable housing fund that Fannie and Freddie would pay into.

Still, Santorum argued that his amendment was not all that different than the alternative being proposed by Democratic Sen. Jack Reed.

"It establishes an enforceable duty to serve traditionally under-served markets," Santorum said. "And we enumerate those markets. We give the director or the oversight person the opportunity to look in different areas of the country as to where there are problems in the low- and moderate-income markets to determine whether there are certain things the GSEs should be focusing on."

"These are things that, again, are very much in common with Sen. Reed," he said.

Although Democrats on the Banking Committee opposed Santorum's amendment, they were complimentary of his work to strengthen the affordable-housing goals.

Santorum voted with his fellow Republicans to approve the overall bill on an 11-9 party-line vote. But without Democratic support, the measure stalled.

Following the 2008 crisis, Congress established the Financial Crisis Inquiry Commission, a bipartisan group charged with investigating the causes of the crisis. In January 2011, the commission's six Democrats issued a 410-page report.

Thomas Stanton, who served on the commission's staff, said the affordable housing goals were generally not the subject of partisan fights in Congress prior to 2008.

"I don't think the housing goals were as much of a political issue before the financial crisis as the larger goal of safety and soundness of [Fannie Mae](#) and [Freddie Mac](#)," Stanton said.

The Financial Crisis Inquiry Commission's report was accompanied by a dissent by three of the panel's four Republicans, as well a separate dissent by the one remaining commissioner, Peter Wallison, a fellow at the American Enterprise Institute.

Wallison argued that the crisis was the result of government policies - including, notably, the affordable housing goals - that encouraged the creation of risky mortgages.

Even though nine of the commission's 10 members rejected Wallison's argument, it has gained new life in the Republican presidential campaign.

"It was the federal government that pushed the subprime loans," Rep. Michele Bachmann said at an Oct. 11 debate. "It was Congressman Barney Frank and also Sen. Chris Dodd that continued to push government-directed housing goals."

For his own part, Santorum has made similar assertions. In September, during an appearance on MSNBC, Santorum argued with host Ed Schultz over whether deregulation was a cause of the financial crisis.

"No, no, no. It wasn't deregulation at all," Santorum said.

"It was Fannie and Freddie holding all these assets they shouldn't have been holding, that we needed actually to have less being held " by these folks. " Part of it was government regulation and government markets that caused the bubble, and that caused the loose lending practices that led to the problems."