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## House looks to cut \$62 billion for distressed homeowners, properties

The House voted this week to end two programs to help certain homeowners struggling to pay their mortgages. More housing aid is on the chopping block, as lawmakers decry 'ineffective' programs.



A foreclosed house with sale pending sign is shown in Tigard, Ore., Tuesday. The number of Americans who owe more on their mortgages than their homes are worth rose at the end of last year, preventing many people from selling their homes in an already weak housing market.

(Don Ryan/AP)

By Gail Russell Chaddock, Staff writer  
posted March 11, 2011 at 6:26 pm EST

Washington

Is it worth spending \$50 million in taxpayer dollars to help 42 families refinance their underwater mortgages? House Republicans said no – opening a new front this week in their bid to rein in deficits by cutting funds from programs they deem to be failing.

First on the chopping block: Eight billion dollars set aside for the Federal Housing Administration's (FHA) Refinance Program – one of four of President Obama's signature housing-relief programs slated for cuts. With more than 11 million homeowners facing foreclosure, Republicans argued that a program that so far has helped 42 families amounts to using taxpayer dollars to pick winners and losers.

Moreover, it's financed by the Troubled Asset Relief Program, which Republicans campaigned during the midterms to end. Recent Treasury estimates signal that most of the expected losses to taxpayers from TARP are coming from housing programs, not the bank bailout.

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"One reason Republicans have been willing to be so aggressive on getting rid of these programs is that they haven't helped a lot of people," says Mark Calabria, director of financial regulation studies for the CATO Institute, a libertarian think tank.

Eighteen fiscally conservative House Democrats joined all but one Republican in voting Thursday to terminate and rescind unobligated

funding for the FHA's Refinance Program. On Friday, the House voted to rescind funding for the Department of Housing and Urban Development's \$1 billion Emergency Mortgage Relief Program, which aims to help unemployed homeowners facing foreclosure. The measure passed 242 to 177, with eight Democrats joining all but two Republicans to defund the program.

"Taxpayers should not have to keep footing the bill for ineffective government programs that add uncertainty to the housing market and the economy," said Speaker John Boehner (R) of Ohio, in a statement after the vote. "The American people want us to cut spending, reduce uncertainty, and get Washington out of the way. That's what these votes to eliminate wasteful mandatory spending programs are all about."

Democrats say it's too early to write off these fledgling programs, all of which are characterized as mandatory spending not included in the annual discretionary budget. If these programs don't work, Democrats said, Republicans should come up with an alternative that's better.

"I do want to also emphasize that this [FHA] program started in November," said Rep. Stephen Lynch (D) of Massachusetts, during floor debate on Thursday. "For much of that four months, we have had abject resistance from the [loan] servicers. They have been the obstruction in making these programs work. We have to slow down the foreclosure process to put a floor under this economy. We have to help the families that can be helped."

Next week, the House is expected to take up Mr. Obama's \$46 billion Home Affordable Modification Program (HAMP) to prod banks to modify troubled mortgages, as well as a \$7 billion Neighborhood Stabilization Program to help local governments sustain property values by renovating foreclosed homes.

"Unfortunately, since HAMP's announcement two years ago that it would help up to 3 [million] to 4 million struggling homeowners achieve sustainable permanent modifications, the numbers have come – been nowhere close, with fewer than 540,000 permanent modifications to date," said Neil Barofsky, TARP inspector general, in testimony March 2 before a House hearing on "legislative proposals to end taxpayer funding for ineffective foreclosure mitigation programs."

Obama has pledged to veto measures to defund any of these programs, and the Democratic-controlled Senate is unlikely to take up the House bills.

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