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Officials mull future of home financing

Group visits Charlotte to hear how - or whether - U.S. should back mortgages.

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By Rick Rothacker

rrothacker@charlotteobserver.com

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Two years after the peak of the financial crisis, fixing the way the U.S. finances mortgages is still on the Obama administration's to-do list.

Charged with bringing a plan to Congress by the end of January, top officials held a meeting in Charlotte on Thursday to gather input from experts, bankers and consumer advocates. At issue is what role - if any - the federal government should have in the making and securitizing of mortgages, the underpinning of the housing market.

"We need to have a responsible reform of the housing finance system but we also need a sensible transition," said Jeffrey Goldstein, the Treasury Department undersecretary for domestic finance who moderated the opening panel at the Charlotte-Mecklenburg Government Center. The Dodd-Frank financial reform law mandates the January deadline.

The biggest question mark is what to do with Freddie Mac and Fannie Mae, the mortgage giants that play a key role in buying up home loans from banks but have bled losses in the financial meltdown. These so-called "government-sponsored entities" have required major taxpayer bailouts, and their fate is sure to be a political battle.

Mark Calabria, director of financial regulation studies at the libertarian Cato Institute, said he would like to see the Freddie and Fannie model restructured so that lenders bear more risk. And over time, he said he would like to see a private market model develop.

Peter Skillern, executive director of the Community Reinvestment Association of North Carolina, countered that a "federally chartered, public-purpose agency" is needed to prevent a few large banks from dominating the mortgage market and to make sure all citizens can get home financing.

Without such an agency, "the access across geography and demographics won't be fulfilled," he said.

The session in Charlotte follows similar meetings in Washington and Cleveland. Other top officials at the meeting included Diana Farrell, deputy director of the National Economic Council; David Stevens, commissioner of the Federal Housing Administration; and Theodore Tozer, president of the Government National Mortgage Association, or Ginnie Mae.

In an interview, Tozer said the purpose of the session was to gather diverse points of view and to avoid unintended consequences with proposed changes. Ginnie Mae is a government-owned corporation within the Department of Housing and Urban Development that guarantees investors payments owed on bonds backed by government-insured mortgages.

"The last thing we want to do is take a fragile housing economy and throw a curveball at it," Tozer said. "We want to make sure it makes sense."



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