

# ECONOMIC COLLAPSE NEWS

## Obama orders FHA to cut annual premium by 0.5%

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The United States housing recovery isn't going as planned. Homeownership remains at record lows, while many Americans are priced out of the real estate market entirely. The latest solution that Washington is proposing to give a house to those who can't afford it in the first place – does that sound familiar? – is to begin making it “fair.”

The White House [confirmed](#) Wednesday that it is ordering the Federal Housing Administration (FHA) to reduce annual mortgage insurance premiums by 0.5 percentage point to 0.85 percent from 1.35 percent. President Obama is expected to lay out a plan in a speech Thursday in Phoenix, Arizona.

Indeed, the premium cut is the latest initiative conducted by the White House to improve mortgage access as lending standards have been tightened since the economic collapse. Housing and Urban Development (HUD) Secretary Julian Castro [said in a prepared statement](#) that with this move approximately two million Americans will be able to afford a home.

“These efforts have made it possible to take this prudent measure while also ensuring FHA remains on a positive financial trajectory,” averred Castro. “By bringing our premiums down, we’re helping folks lift themselves up so they can open new doors of opportunity and strengthen their financial futures.”

Although this is being lauded by Democrats, the policy decision could be part of a greater scheme to create another housing bubble. As we [reported](#) last month, mortgage agencies Fannie Mae and Freddie Mac announced that it would lower its down payment rate to just three percent, which many are warning comes with a high default rate.

In addition to the president's FHA decision, critics are concerned of a taxpayer bailout. Mark Calabria, a director at the Cato Institute, told the [Washington Post](#) that he is “surprised” the administration would go down this route again.

Republican lawmakers are already opposing President Obama's plan because they want the FHA to first reach its statutory minimum fund, which is currently at 0.41 percent, far below the two percent threshold. Also, some GOP legislators are worried about another taxpayer bailout.

“If President Obama follows through on today's pledge, he will be increasing the likelihood that taxpayers will have to foot the bill for yet another bailout,” said Texas Republican Congressman Jeb Hensarling in a [statement](#).

With the lax in mortgage standards being pushed through and the Federal Reserve pumping money into the housing industry, could we be witnessing the unfolding of a housing bubble 2.0? David Stockman, former Reagan budget director and author of “The Great Deformation,” thinks so.

Here is what he wrote in an article entitled “[Housing Bubble 2.0: Here’s why](#)“:

“I think it’s safe to say that America — especially the American media and Wall Street firms — has fallen in love with real estate again. But, this time around it’s not ‘all of America’ like the last time; when the most exotic mortgage loans known to mankind turned every ma and pa end-user homeowner into a raging speculator. One has to look no further than the generationally low level of purchase loan applications — with rates at generational lows — to realize something isn’t ‘normal’ about this housing market. Rather, controlling this housing market over the past three years has been a small, unorthodox slice of the population that “invests” in real estate using tractor-trailer trucks full of cash-money slopping around the financial system put into play specifically for this purpose. Over the past few years so much cash-money has been deployed into the housing sector by unorthodox parties, that in many regions ma and pa end-user hasn’t stood a chance to buy. Especially, if they need a mortgage loan, which of course presents numerous risks to the seller vs the all-cash buyer.”

A house and a mortgage are not a right. If you can afford a house then you should purchase one. If you can’t then wait until you actually can, particularly when the housing market crashes again.