

Real estate experts advocate for mortgage finance changes

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Real estate, economic and financial leaders are slated to testify today before a Senate subcommittee on new ideas for refinancing and restructuring mortgage loans.

The Senate Subcommittee on Housing, Transportation and Community Development will hear from Mark Zandi, chief economist for **Moody's Analytics**, and Richard Smith, president and CEO of **Realogy Corp.**, among others.

"Given the housing sector's substantial influence on all aspects of the U.S. economy, we would like to see a more cohesive national plan to address a recovery in the housing market," Smith said in a statement. "Current government policies and programs may be well intentioned, but they are suppressing a recovery." He cited the Dodd-Frank Act as an example.

"The housing market faces a significant oversupply of housing, which will continue to weigh on both prices and production activity," according to Mark Calabria, director of financial regulation studies at the **Cato Institute**.

The country has an oversupply of about 3 million housing units, about 1 million more than there's demand for, he said. Another 1.6 million mortgages are at least 90-days late. "My rough estimate is about one-fourth of those are more than two years late and will most likely never become current," Calabria said.

"Federal efforts to 'revive' the housing market are sustaining prices in the most expensive markets, while depressing prices in the cheapest markets, the opposite of what one would prefer," he said. "The current foreclosures mitigation programs have contributed to the elevated unemployment rate by reducing labor mobility."

Policymakers should move more of the mortgage sector to banks and thrifts and away from **Fannie Mae** and **Freddie Mac** to reduce taxpayer exposure to further mortgage market problems, he said.

On the other hand, Ivy Zelman, CEO of **Zelman & Associates**, a research firm focusing on the homebuilding industry, pushed for a rental program as a way to handle excess and distressed inventory.

"I believe the most powerful tool that Washington can provide is a rental program to dispose of these vacant REO and future foreclosures in an orderly manner," said Zelman in prepared testimony. "The most efficient and cost-effective way to achieve this goal is for the GSEs to ease financing terms and expand financing options to investors that would purchase properties at low LTVs and pursue a single-family rental strategy."

Also scheduled to speak before the subcommittee are David Stevens, president and CEO of the **Mortgage Bankers Association**; Anthony Sanders, a finance professor at George Mason University's School of Management; and Christopher Mayer, a professor of real estate, finance and economics at Columbia University.

"Housing's recovery is essential to the overall success of a broad economic recovery, and without it the economy will continue to languish," Zelman said in concluding her testimony.

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