



## **Obama Wants More Borrowing for Home Purchases, Vows Not a Repeat of '08 Crisis**

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President Barack Obama on Thursday announced a new executive action to make it easier for Americans to buy homes.

Speaking in Phoenix, Obama said the Federal Housing Administration would cut annual mortgage insurance premiums from 1.35 percent to 0.85 percent. It was the second day of a three-day tour where Obama is talking about some of the points he'll raise in his State of the Union address this month.

“That’s enough to save the average buyer \$900 a year, that’s \$900 to pay for groceries, gas, a child’s education, or depending on what it is, your monthly mortgage payment,” Obama said. “Over the next three years, that will give hundreds of thousands of families the ability to own their own home.”

The White House asserts the lower premiums will help more than 800,000 homeowners save on their monthly mortgage costs and help about 250,000 new homebuyers to purchase a home.

But the government’s enthusiasm for more home buying was a major factor in the 2008 housing crisis, said Mark Calabria, director of financial regulation studies at the libertarian Cato Institute.

“At least in the president’s mind, we are past the point of being concerned about the housing crisis, and it’s time to get everyone in a house whether they can afford it or not,” Calabria told TheBlaze. “The FHA is by definition a very low down payment. So a buyer is underwater when they close.”

He said FHA loans encourage borrowing, prolong debt and are essentially subprime loans.

“After what we went through as a country, I find it shocking we would say, everybody jump back in,” Calabria continued.

Obama in his speech said the new FHA rates would not mark a return to irresponsible lending.

“Don’t buy something you can’t afford, and if you do, you are out of luck,” the president said. “This is for responsible borrowers. We are not going to go down that road again. We are policing irresponsible lenders who are luring folks into buying something they can’t afford.”

The Obama administration noted in a release ahead of the speech that last year, the Department of Justice filed about 150 mortgage fraud cases and obtained convictions of more than 600 defendants, recovering more than \$3 billion.

Home prices have gone up by almost 30 percent since the housing crisis, which has brought about 10 million home purchasers out of underwater mortgages, according to the White House.

“This progress is not by accident, it’s not luck, it happens when policies put middle class families first,” Obama said. “What we are doing has worked, but we have got to stay at it.”