

THE WALL STREET JOURNAL.

White House Stays Course on Homeownership Push

Pick for FHA post expected to carry out policies to expand mortgage access

By Joe Light

March 26, 2015

As the Obama administration enters the home stretch of its second term, it isn't shrinking from criticism of its push to expand mortgage access and homeownership for hundreds of thousands of Americans.

The Department of Housing and Urban Development on Thursday tapped senior adviser Edward Golding to head the Federal Housing Administration, an agency with direct control over borrowing costs for hundreds of thousands of cash-strapped homeowners.

The FHA this year has become a focal point of the administration's effort to expand mortgage access. In January, the FHA lowered fees it charges borrowers, a move that the White House said would lower the homeownership bar for many.

Republican lawmakers lambasted that move and have said that moving back to policies easing the path to homeownership could expose taxpayers to losses.

Mr. Golding, who will take the place of acting commissioner Biniam Gebre, will begin on April 7 under the newly formed FHA title of "principal deputy assistant secretary." That position slightly limits the usual powers of an FHA commissioner and doesn't require Senate confirmation.

The method of the appointment forgoes, at least for now, what could be a bruising confirmation process for a future FHA commissioner. HUD Secretary Julián Castro announced the move in an email to employees on Thursday.

HUD recently sidestepped a similar confirmation process of Lourdes Castro Ramirez, who came from outside the department, as assistant secretary for public and Indian housing.

Sen. Charles Grassley (R., Iowa) put Ms. Castro Ramirez's nomination on hold in November, citing problems at public housing authorities. HUD officials made her principal deputy assistant secretary, in charge of that office, at the end of last month.

“The nominations process exists for good reason,” Mr. Grassley said in a statement, referring to Ms. Castro Ramirez and Mr. Golding. “Advice and consent by the Senate is a check and balance required under the Constitution. If HUD and the White House are purposely circumventing the nominations process, that’s unacceptable.”

A HUD spokesman said the appointments of Ms. Castro Ramirez and Mr. Golding weren’t intended to circumvent the Senate confirmation process.

Mr. Golding is the leading candidate for the nomination to become full commissioner, though the White House is still in the midst of its vetting process, said people familiar with the matter.

As the FHA’s new head, Mr. Golding, who worked for decades at housing-finance company Freddie Mac, is expected largely to carry out the policies of his predecessor while also attempting to further efforts to persuade lenders to expand the pool of borrowers to whom they’ll make loans.

Mr. Golding declined to comment through the HUD spokesman.

The FHA doesn’t make mortgages, but insures lenders against default on loans with down payments of as little as 3.5%. Borrowers pay for the insurance.

After crisis-era losses, the FHA in 2013 needed a \$1.7 billion bailout from the U.S. Treasury. Its finances have since improved, but the agency’s capital cushion is still well below the minimum mandated by law. At a hearing in February, Mr. Castro was grilled by Republicans on how the fee cut would impact the FHA’s finances.

The continuing controversy surrounding the FHA’s fee cut, along with Mr. Golding’s background at Freddie Mac, could put particular scrutiny on any confirmation process.

Mark Calabria, director of financial regulation studies at the Cato Institute, a libertarian think tank, said that, if it happens, Mr. Golding’s nomination would have a legitimate shot of moving forward in the Senate.

“If it looks like they’re trying to get around the confirmation process, that’s certainly problematic,” Mr. Calabria said. “Given the realm of possible candidates, he’s actually a good choice,” he added, citing his experience as an economist and in housing finance.

David Stevens, a former FHA commissioner and current president of the Mortgage Bankers Association, an industry group, in a statement said that Mr. Golding “is an excellent choice to fill a very critical role.”