

Jackson: Garrett-Gottheimer House race draws big bucks from Realtor group

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The TV ad shows Democratic congressional candidate Josh Gottheimer smiling at the camera and chatting with voters as the narrator calls him a successful businessman who would forge bipartisan solutions and “protect the 30-year mortgage.”

But behind the sunny images in the ad, paid for by the super PAC of the National Association of Realtors, is political payback aimed at Gottheimer’s opponent, Rep. Scott Garrett. And the effort provides a stark example of how the changed rules of campaign finance in 2016 have made powerful interests in the Capitol even more powerful.

The National Association of Realtors Congressional Fund has told the Federal Election Commission it spent \$1.3 million supporting Gottheimer, including \$146,000 for online ads, \$529,000 for mailings and \$590,000 for TV ads that are slated to run through the end of this month.

Gottheimer’s résumé before he ran for Congress had less to do with real estate than with technology and politics, but Garrett, a seven-term Republican from Wantage, is the chairman of a House subcommittee that regulates housing finance.

And Garrett crossed the Realtors group by pushing a bill in 2013 that would have scaled back the role of Fannie Mae and Freddie Mac, the government-backed companies that buy mortgages from lenders.

“Scott Garrett is one of the few members of Congress who has been willing to take them on,” said Peter J. Wallison of the American Enterprise Institute, an outspoken critic of federal housing policy. “If they succeed in beating him, they will be able to use that victory to frighten other members of Congress into supporting more government subsidies for housing.”

Garrett’s bill, dubbed the PATH Act, for Protecting American Taxpayers and Homeowners, would have basically ended the government guarantee that stands behind mortgage-backed securities issued by Fannie and Freddie.

“I would make sure taxpayers are not on the hook for bad decisions by bad banks that do bad things,” Garrett said last week.

On a largely party-line vote, the bill was passed by the Republican-dominated House Financial Services Committee in July 2013. It went no further.

Critics of Garrett's plan, in both parties, say disrupting a system that lets lenders transfer loans they issue to someone else so they can make new loans could also make loans more expensive or harder to get.

"Thousands of people in New Jersey would have to pay more or not get a mortgage at all," said Phyllis Salowe-Kaye, executive director of New Jersey Citizen Action, which counsels potential homebuyers and helps people apply for low-cost government-backed loans.

Making mortgages harder to get or more expensive could also eat into the commissions of people who sell houses. And while Garrett's PATH Act was pending, the National Association of Realtors spent \$20 million on lobbying in the third and fourth quarters of 2013, and an additional \$55 million in 2014, according to the Center for Responsive Politics.

"We support the winding down of Freddie Mac and Fannie Mae," the association said in a letter opposing Garrett's bill sent to House members in September 2013. "However we believe a government guarantee is necessary to create stability in housing finance markets, and to ensure the continued availability of 30-year fixed-rate mortgages for all qualified borrowers – not just those with a high down payment and very high credit score."

A non-profit corporation with members in every state and congressional district, the Realtors association is one of the heaviest hitters in federal housing policy.

A public tax document shows the association had revenue of \$209 million in 2014, including nearly \$19 million in investment income.

The association has a traditional political action committee, which can give candidates no more than \$5,000 per election, or \$10,000 for the primary and general.

The PAC gave Garrett \$1,000 each in September and October last year, but endorsed Gottheimer in May and gave him the maximum \$10,000.

"Our local and state associations are the ones who help identify candidates, like Josh Gottheimer, who will champion homeownership," spokesman Jon Boughtin said. "He understands the importance of a government guarantee in the secondary mortgage market."

Boughtin would not comment on Wallison's charge the group was targeting Garrett to send a signal to other members not to cross them.

Gottheimer served as a speechwriter for President Bill Clinton and as a Microsoft corporate strategist before launching his campaign. His spokesman, Ryan Jacobs, said Garrett's bill would "greatly undermine homeownership" and hurt small-business owners, like Realtors, but was not a surprise "given his 25-year record of putting his Tea Party extremism ahead of us."

The U.S. Supreme Court's 2010 Citizens United ruling allowed corporations to make campaign contributions and led to the creation of super PACs that can spend unlimited amounts to support or oppose candidates as long as the spending is "independent," or not coordinated with their campaigns.

FEC disclosures show that from the beginning of 2015 to the end of August, the National Association of Realtors Congressional Fund has raised \$11.8 million, including \$9.9 million transferred from the association.

Only Rep. Joe Heck, a Nevada Republican running for U.S. Senate, has been the beneficiary of more spending by the committee than Gottheimer, according to the Center for Responsive Politics.

"They're probably focusing on this race because they think they can have some influence," said Mark Calabria of the Cato Institute, who also supports limits on federal backing for home loans. "They're doing this because they think Scott Garrett has a good chance of losing, and maybe they can buy some goodwill with the Democrats."

Until now, Garrett does not appear to have criticized the Citizens United decision and he opposed efforts by its critics to deal with the aftermath.

In 2011, he opposed requiring corporations that get federal contracts to disclose their campaign contributions. In 2013, he co-sponsored legislation to prohibit the Securities and Exchange Commission from requiring that disclosure from public corporations. And in June, he voted to block the Internal Revenue Service from requiring non-profits to disclose – only to the IRS – where they get their money.

But after seeing what the Realtors are doing, Garrett said, he sees a problem.

"It sure seems there's something wrong here," Garrett said. "What you have here is literally outside special interest groups, D.C. lobbyists, making decisions, making the buy, and the local guy, the local Realtor, doesn't have any say over it."

He said the situation contributes to gridlock in Washington.

"Vulnerable members on both sides of the aisle know this kind of thing happens. It's not just that I have to worry about who votes in my town or my district, I have to watch over my shoulder whether an outside special interest could come in and do a multimillion-dollar buy and try to totally sway the election," Garrett said.

Still, as a longtime proponent of strict adherence to the Constitution, Garrett would not say the Supreme Court was wrong to decide corporate spending was a form of free speech that Congress could not restrict. Rather, Garrett said, he believes there should be better disclosure by groups that support both Democrats and Republicans.

“If we’re going to do this, we have to do it across the board and not have favored groups and disfavored groups,” he said.

It’s unclear, however, what that would do about his current situation, because the super PAC supporting Gottheimer already disclosed that it got the money for the effort against him from the Realtors association.