

The Charlotte Observer

Mel Watt likely to bring consumer advocacy focus to FHFA

By: Andrew Dunn – May 1, 2013

Should Rep. Mel Watt be confirmed as head of the Federal Housing Finance Agency, the longtime Charlotte congressman could bring more of a consumer-advocacy focus to an agency that has so far been dedicated to sopping up losses, industry watchers say.

In announcing the nomination on Wednesday, President Barack Obama cited Watt's support for consumer protections and affordable housing during two decades in the U.S. House.

Watt was also a behind-the-scenes force behind the Dodd-Frank financial reform law, though his views on financial issues have often been tempered by the fact that his district encompasses the Charlotte headquarters of Bank of America. The banking and finance industry has also been among Watt's top contributors.

Still, observers expect Watt would advocate for borrowers as head of the agency that regulates mortgage giants Fannie Mae and Freddie Mac, which own or back more than half of the nation's mortgages. That would likely mean advocating for a continued government role in helping borrowers.

"I think Mr. Watt will see the job in a more expansive light," said Julia Gordon, director of housing finance and policy at the Center for American Progress. "I think he will support the idea that even though they are in conservatorship, that Fannie and Freddie have a public mission."

The Federal Housing Finance Agency was created during the 2008 financial crisis to oversee Fannie and Freddie as the federal government began pumping nearly \$190 billion into the two mortgage giants to rescue them from the housing collapse.

Now, the agency is closer to phasing out taxpayer support. Fannie and Freddie have begun to turn profits and will continue to send money back to the U.S. Treasury.

Both Democrats and Republicans generally agree that the government should take a smaller role in the housing finance industry with more emphasis on private investment, though no concrete plan has yet been put forward. Some House Republicans have called for a complete privatization of housing finance.

Watt hasn't made public statements lately on his view of where the FHFA should go.

He attended a House hearing with Acting FHFA Director Edward DeMarco, but recused himself from questioning because of the "speculation" that he was a candidate for the permanent job, according to news accounts.

The low-key approach has typified Watt's activity on the House Financial Services Committee over the past three years. While one administration official called him an "unsung hero" in crafting Dodd-Frank, Watt has made fewer floor speeches on banking and introduced fewer bills on the subject since Republicans took over the House in 2010. Watt told the Observer last year he had shifted his focus to other committee assignments because of the political polarization of financial issues.

Still, Watt's nomination suggests the Obama administration wants someone with a positive view of government's role in the housing market to have a strong voice in the discussion, said Mark Calabria, director of financial regulation studies at the libertarian Cato Institute.

"They're wanting the position to reflect the viewpoint of keeping some kind of housing subsidy there," he said. "You don't pick Mel Watt because your priority is financial stability. You pick him because you want to do something quote-unquote 'positive' for the housing market."

One potential flashpoint: the issue of principal reductions for homeowners who are underwater on their mortgages, or owe more than their homes are worth.

The Obama administration has pushed the FHFA to allow more principal reductions for those whose mortgages are guaranteed by Fannie or Freddie, as a way to alleviate stress in the housing market. DeMarco declined to implement the policy, saying it would put too much taxpayer money at risk for too little a benefit. The move was cheered by Republicans but spurred a campaign among housing advocates to get DeMarco removed.

Watt has supported principal reduction.

"Mel Watt will bring a bias of consumer advocacy that is currently missing," said Bartlett Naylor, financial policy advocate for consumer group Public Citizen.