OCTOBER 17, 2011

LAS VEGAS SUN

NEWS A&E OPINION

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No one in the Republican field is talking about the housing crisis

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Monday, Oct. 17, 2011 | 2:01 a.m.

When the Republican presidential field debated economic policy in New Hampshire last week, the word “foreclosure” was uttered once. One time.

And that lone mention by former Utah Gov. Jon Huntsman accompanied no prescription for the crisis that has reached epidemic proportions in Nevada and that economists agree is among the biggest drags on the economy. Rather, Huntsman mentioned it in a description of the pain felt by Americans.

That’s unlikely to change when the GOP presidential candidates debate Tuesday in Las Vegas, a city ravaged by the bursting of the housing bubble. Republicans running for president have referred to foreclosures as an ugly symptom of the economic recession but offered no remedy.

Nevada leads the nation in the rate of foreclosures, with nearly 60,000 foreclosed homes glutting the market, further depressing home values and scarring neighborhoods. Last month, one in every 118 homes received a foreclosure notice, according to RealtyTrac. The owners of thousands more homes — 60 percent of the state’s homeowners — are so underwater on their mortgages that their houses may never again be worth what they owe.

“You’re definitely in a league all your own,” said Mark Calabria, a fellow at the Cato Institute, a libertarian think tank, who specializes in financial and real estate market public policy. “It’s a unique situation.”

While Nevada’s suffering is at the extreme, Federal Reserve Chairman Ben Bernanke warned Congress this month that the nation’s economic recovery may depend on a “clear path to a new housing finance system." Underwater homeowners are "poorer, and less willing to spend," he told the Joint Economic Committee.

Yet the presidential contenders have been reticent to take on the issue.

Former Massachusetts Gov. Mitt Romney uses the word "foreclosure" once in his 160-page economic plan. He addressed the housing industry just briefly in a single paragraph calling for the repeal and reworking of the Dodd-Frank Act, which reformed financial industry regulations in the wake of the 2007 collapse.

Romney doesn't appear to have much competition when it comes to creative ideas for dealing with the foreclosure crisis.

If his opponents address it at all on their websites or in their rhetoric, it's to join the GOP chorus for eliminating or reworking Dodd-Frank — a move that conservative and liberal economists agree may be necessary but would do little to address the existing foreclosure problem.

Huntsman's economic plan calls for privatizing Fannie Mae and Freddie Mac and letting "the housing market settle in order to see sustainable growth."

U.S. Rep. Michele Bachmann, R-Minn., urges the "repeal of the jobs and housing destruction act, also known as Dodd-Frank." Former U.S. Rep. Newt Gingrich also urges the law's repeal.

Herman Cain, Texas Gov. Rick Perry and former U.S. Sen. Rick Santorum so far have no formal policy statements on housing.

And libertarian-minded U.S. Rep. Ron Paul, R-Texas, advocates a completely hands-off approach.

"He was the only presidential candidate who predicted that federal intervention would lead to the housing bubble and subsequent crisis," said Paul's spokesman Gary Howard. "Dr. Paul believes that the only way a correction can occur is if the surplus housing is cleared from the market, and the federal government stops trying to prop up artificially high home prices."

Some economists agree with the free-market approach, even as they acknowledge it may seem like a heartless way of dealing with the crisis.

"You really can't fight the fundamentals of supply and demand," Calabria said. "How do you move vacant and half-built homes? To me, the only solution is let prices get to the level (where) these things start to look attractive."

Calabria argued against loan modification programs, even those that would address underwater homeowners.

“That wealth is gone,” he said. “If you take a dollar from the lender or a dollar from the taxpayer and give it to the borrower, it does not create wealth. It just redistributes it.”

Further government intervention just prolongs the inevitable slide of housing prices to a market-determined level.

But other housing experts argue the foreclosure crisis is so severe that it brings other dangerous problems, such as blight, crime spikes and further loss of wealth for those being responsible with their payments.

“The cost of letting natural forces take place is enormous,” said Nasser Daneshvary, director of the Lied Institute for Real Estate Studies at UNLV.

“Yes, the market ultimately will clean it up, but it might take 10 years. Meanwhile, prices keep declining, even healthy, no-default house values will keep going down. On foreclosures, people don’t take care of the property. We are causing waste for the entire economy.”

The Obama administration’s approach to addressing the foreclosure crisis has been to offer a variety of deferments, moratoriums and loan modifications. Daneshvary said those policies have done little to address the more fundamental problem — particularly in Nevada — of underwater homes.

Nationally, 70 percent of the 2 million loan modifications in the past two years have ultimately gone to foreclosure, Daneshvary said. Only 4 percent of those modifications addressed principal balances.

A principal reduction program, in which both the owner and the lender share in any appreciation above the marked-down price, could stem foreclosures, Daneshvary said.

Economists on both sides of the political divide agree that a simple repeal of Dodd-Frank would fail to address the foreclosure crisis.

Bachmann, Gingrich and others believe the regulations have made it more difficult for new homebuyers to obtain mortgages, preventing them from stabilizing the market.

That may be one factor, Calabria said. But regulations like Dodd-Frank are acting as a broader drag on recovery, he said.

“It doesn’t have much to do with the foreclosure and housing situation of today,” Calabria said.

UNR economist Elliott Parker agreed: “Any time you establish a set of regulations there are unintended consequences. There may be banks that who can’t lend now or some people who can’t get loans. But to offer that as a solution is pretty empty and it completely ignores the magnitude of the problem that we have today.”

The magnitude of the problem — coupled with the fact it is a politically risky area — may be holding policymakers back from addressing it in a forthright way.

“To really fix the problem, not just for the marginal people (close to default), but for everybody, it’s an enormous amount of money,” Parker said. “But the way we are doing it now is almost like giving people incentives to get in trouble.”

Others described the foreclosure crisis as a no-win situation for Republican candidates, leading them to avoid the issue altogether.

“To deal with this, some people have to lose,” Daneshvary said. “The financial sector benefited tremendously on the upswing and will end up losing anyway, but politicians don’t want to force them to take some losses.”

On the other side, the electorate is tired of bailouts, Calabria said.

“It’s bailout fatigue,” Calabria said. “Why am I bailing out the banks? Why am I bailing out the guy next door that bought more house than he can afford? That type of anger is felt across the board, but much more strongly felt across Republican circles.”

And then there’s the weariness factor.

“People are just tired of dealing with it,” former Assembly Speaker Barbara Buckley, D-Las Vegas, said. “Nobody is talking about it. But the longer this crisis goes on, the more time we’re not recovering. And it affects everybody. We really don’t need another house that is empty in Las Vegas.”