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## Panel Likely to Sidestep Housing Overhaul Details

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WASHINGTON - Although the House Financial Services Committee will take its first stab today at discussing the future of the U.S. housing finance system, including the fate of [Fannie Mae](#) and [Freddie Mac](#), the hearing is likely to stay away from specific recommendations and stick mostly to generalities.

Treasury Secretary Tim Geithner is expected to provide broad principles of reform but will stop short of offering details on how the government-sponsored enterprises should be reformed, while a panel of industry witnesses and experts are likely to take a similar tack.

The lack of specifics is partly at the request of the Financial Services Committee, witnesses said, as well as a reflection on how easily spooked the mortgage market still is when the future of Fannie and Freddie are discussed.

"Treasury is wise to be very careful until they are sure they know" what they want to do, said Sarah Rosen Wartell, executive vice president of the Center for American Progress, one of the panelists testifying before the Financial Services Committee. "With the economy still so fragile and unemployment rates so high, we're going to continue to see sustained rates of mortgage delinquencies and foreclosures for some time."

The government seized Fannie and Freddie in September 2008 and kept them afloat with \$112 billion in federal aid. Reversing its original plan, the Obama administration pledged late last year to cover unlimited losses through 2012 for the enterprises, removing the earlier cap of \$400 billion. Since the takeover, the government has increasingly used the GSEs for its own ends.

To date, there has been an array of proposals aired by observers and those in the industry on how to reform these two companies without severely upsetting the still-fragile mortgage markets. Those have included nationalizing them, privatizing them or even splitting them into a dozen or so equal-size entities to lessen any market disruption if one of them fails. Former Treasury Secretary Henry Paulson has also suggested regulating the two like utilities.

But there is no consensus on a way forward, with some warning that it is important the government not rethink its commitment to helping low- and moderate-income borrowers have access to homeownership.

"It would be wrong for us to learn the wrong lessons from this crisis," Wartell said.

Many communities have been stripped of equity by subprime lending and a multitude of foreclosures. If the government denies a way to help underserved communities, that will subject them to a second harm and deny them the ability to recover, Wartell said.

Others, like Mark Calabria, director of financial regulation studies for the **Cato Institute**, who is also expected to testify, said the government needs to distance itself from the GSEs. He said just privatizing Fannie and Freddie was not enough, and said they need to be broken up.

"The only way to make failure a credible option is to have several" GSEs, he said. "I would suggest breaking up Fannie/Freddie into about a dozen, equal-sized entities."

Janis Bowdler, deputy director of the wealth-building policy project at the National Council of La Raza and another witness, said any fix to the housing system needs to better reflect demand. The number of subprime loans exploded prior to the crisis because lenders found them profitable in the secondary market, not because there was real demand for them.

"Policymakers should seek to restore balance so that the mortgage financing system reflects true market demand from the bottom, not the top," Bowdler said in her written testimony.