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## Democrats fault Obama on housing

Written by

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WASHINGTON — President Obama has made numerous visits in recent months to rejuvenated auto factories and high-tech companies to tout his economic policies to address high unemployment.

West Coast Democrats note that you don't see him making stops in neighborhoods recovering from housing foreclosures, because there'd actually have to be a housing market recovery.

"How bad does it have to get before this administration wakes up and seriously tackles this housing catastrophe?" Rep. Dennis Cardoza, D-Calif., said in a recent statement. "Without bold action, millions of more families will lose their homes and our economy will continue to stall. If this administration continues to stick its head in the sand and wait for the housing crisis to run its course, I am afraid the president could end up losing his current residence in 2012."

Sen. Jeff Merkley, D-Ore., also sees White House apathy in addressing declining housing prices and escalating foreclosures that were major components of the tanking economy he inherited.

"The Obama administration isn't yet, I feel, really doing what they could," Merkley said in an interview in his Senate office. "They are not giving foreclosures the high level of attention they deserve."

Lenders made nearly 14 million foreclosure filings from 2006-10. Almost 1.7 million more had been filed through May of this year. Many of the hardest-hit states have been in the West, especially Nevada, California and Arizona, according to RealtyTrac.

Median housing prices nationwide have declined from \$227,100 in 2006 to \$158,700 this year, the National Association of Realtors said.

The Obama administration responded to escalating foreclosures in 2009 with the Home Affordable Modification Program, which was intended to help as many as 4 million homeowners. But the program came under fire for being slow to process applications from families facing loss of their homes. And a recent study by the

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independent investigative journalism site ProPublica found that more than half of the 1.4 million mortgage modifications were unsuccessful.

"While we cannot prevent every foreclosure, the steps we have taken have helped nearly 4 million homeowners modify their mortgages to make them more affordable and sustainable," said White House spokesman Adam Abrams. "The administration is working aggressively to help homeowners modify their loans to avoid going into foreclosure and investing in communities hardest hit by the continued difficulties in the market."

Administration figures show California has received \$2 billion to help distressed homeowners while Oregon got \$220 million

Merkley, who sits on the Senate Banking, Housing and Urban Affairs Committee, wants more to be done. He is drafting legislation that would:

- Overhaul the current loan modification system that permits banks to move forward with foreclosure even as they try to negotiate a mortgage modification with homeowners. Foreclosure should stop, he said, while a modification is under consideration.

- Allow mortgage restructuring through bankruptcy, a proposal the lending industry traditionally has opposed.

- Create a refinancing option so homeowners who are "underwater" —

owing more on a home than it's worth — can negotiate based on current interest rates and revised housing values, as long as they still have solid incomes.

The White House says federal agencies have implemented or started to implement several of Merkley's suggestions, including stopping foreclosures while loan modifications are explored.

Cardoza, a member of a House Democrats' task force on housing market woes, also has legislation that would allow families to renegotiate rates. His would allow them to lock in single-digit rates over 40 years on mortgages that already were federally backed.

Cardoza's 18th Congressional District in California has been especially hard hit. Modesto, Stockton and Merced are in the top 10 for highest foreclosure rates in the nation. Three out of five homeowners in those localities owe more than their homes are worth, Cardoza said.

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If the bills fail to make it through Congress, Merkley says, the administration still has options.

"The president could speak more forcefully on this issue to draw attention to (housing's) part in the recession and help build public momentum for very needed reforms," Merkley spokeswoman Julie Edwards said.

Others say trying to help homeowners facing foreclosure may impede the economic recovery more than help it.

Many potential homebuyers will stay out of the market as long as courts clogged with foreclosure cases keep prices from hitting bottom, said Mark Calabria, a specialist on economic and regulatory issues at the libertarian Cato Institute.

The best scenario, he said, for the housing market — and the economy — would be to speed up foreclosure cases by adding extra judges or letting administrative procedures resolve them.

For now, Calabria said, "There is no doubt the psychology of the housing market is hurting other sectors."

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