

## Frank gets Bernanke boost ahead of vote on housing bill (The Hill)

By Jessica Holzer

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### House

Financial Services Committee Chairman Barney Frank (D-Mass.) appears to have the upper hand ahead of Wednesday's House vote on a housing measure that the Bush administration has dismissed as heavy-handed government intervention.

Frank has countered this criticism by bundling his measure with three items the administration badly wants in order to clean up the mortgage mess. He is also benefiting from remarks by Federal Reserve Chairman Ben Bernanke, who urged more action to stem foreclosures and hinted that the approach Frank is pushing may be "the best solution."

In a press conference with House leaders and private-sector economists Monday, Frank argued that the package as a whole could be too good for the Bush administration to pass up, despite its opposition to one of the measures.

"You can't always get what you want exactly," he said.

The measure stirring controversy would allow the Federal Housing Administration (FHA) to refinance up to \$300 billion in at-risk mortgages - but only after mortgage holders have written them down to make them more affordable.

Many Republicans, including some Bush administration officials, have decried the measure as a bailout for lenders and reckless borrowers. They point out that more than 90 percent of homeowners are meeting their mortgage payments on time.

At a press conference on Tuesday, House Republican leaders heaped scorn on the measure. Republican Leader John Boehner (Ohio) called it a "\$300 billion bailout for those who were scamming the market." He said he didn't think that renters or those meeting their mortgage payments "want to see their taxpayer dollars going to bail out these types of people."

Ten Republicans voted yes on the bill, however, when it sailed through the Financial Services Committee last week, and it is expected to attract more votes on the floor from Republicans who do not want to be seen as voting against a housing bill. Rep. Tom Feeney (R-Fla.) said he expects leadership to leave members "free, if they need to support the bill, to support it."

Bernanke boosted the measure Monday night when he implied that he supported Frank's approach in a speech at Columbia University's Business School.

He said "the best solution" for homeowners whose home values have shrunk smaller than their mortgages "may be" a write-down or other modification to the loan to make it more affordable, "perhaps combined with a refinancing by the Federal Housing Administration or another lender."

However, he stopped short of endorsing the legislation, calling only for Congress to pass legislation to modernize the FHA and overhaul the regulation of Fannie Mae and Freddie Mac - collectively known as the government-sponsored enterprises (GSEs) - which finance mortgages.

The Bush administration has been calling for action on those two measures, as well as legislation to lift the caps on mortgage revenue bonds issued by states and towns, as key remedies to the housing mess.

Frank cobbled together those three items into his plan in the hope that the Bush administration will find the package too tempting to oppose. It also includes several housing-related tax measures, including a tax incentive for first-time home buyers, that passed the Ways and Means Committee with plenty of GOP support.

At press time, the Bush administration had not issued a statement of administration policy on the package.

Despite its sharp criticism of the Frank foreclosure plan, a day before the vote it was unclear whether the administration would oppose the entire package.

"I'm not 100 percent sure where the White House or [Treasury Secretary] Henry Paulson will be on this," said Rep. Mike Castle (R-Del.), who argued that the Frank plan was a "reasonable solution" to the foreclosure problem.

"It may be hard for them to oppose this thing," one financial services lobbyist said.

Frank's office initially said his foreclosure prevention plan could help as many as 2 million homeowners avoid foreclosure, but it has since declined to give any estimates. The Congressional Budget Office (CBO) last week said that the plan could help 500,000 homeowners at a cost of \$2.7 billion over five years.

Frank said that the CBO estimate was probably on the low end, but argued that "half a million is still a significant number."

He said he was working with the House leadership on measures to offset the full cost of the bill "over time."

The banking industry so far has been tepidly supportive of Frank's plan, mainly because it is voluntary for mortgage holders. It could turn against the bill, however, if a controversial amendment sponsored by Rep. Steven LaTourette (R) is added to the legislation.

LaTourette, whose home state of Ohio recently led the country in foreclosures, is co-sponsoring along with Rep. Brad Miller (D-N.C.) an amendment that would make it easier for states to freeze foreclosures or adopt other aggressive responses to the mortgage problem without running afoul of federal regulators. Their measure is likely to be voted on as a stand-alone amendment to the housing package.

#### Members

hailing from the GOP's conservative wing are deeply opposed to the Frank housing plan. Feeney predicted that "lenders would cherry-pick the worst of their non-performing loans."

#### Republicans on

Monday also raised objections to language added in committee to earmark \$35 million for legal counseling, which they called a slush fund for trial lawyers to sue lenders.

#### They also criticized another

\$25 million earmark for the Raza Development Fund to provide assistance to nonprofits involved in community development and affordable housing projects. The Raza Development Fund is connected to the National Council de la Raza, a Hispanic advocacy group.

#### Referring to

these provisions, Minority Whip Roy Blunt (R-Mo.) told reporters that the legislation was a "bailout for lawyers, lenders and La Raza."

#### In

a closed-door meeting with Republicans Tuesday morning, he said, "There is so much wrong with this bill that if you can't find something that gives you reason to oppose it, then you don't deserve to be here."

Jackie Kucinich contributed to this report.