

House approves housing rescue bill (The News Journal)

Deal aims to help homeowners, mortgage companies

By JULIE HIRSCHFELD DAVIS

Associated Press

July 23, 2008

WASHINGTON -- Rescue legislation sailed through the House on Wednesday aimed at helping 400,000 strapped homeowners avoid foreclosure and preventing the collapse of troubled mortgage companies Fannie Mae and Freddie Mac.

The 272-152 vote reflected a congressional push to send election-year help to struggling borrowers and to reassure jittery financial markets about the health of two pillars of the mortgage market.

Hours before the vote, President Bush dropped his opposition to the measure, which now is on track to pass the Senate and become law within days.

The White House swallowed its distaste for \$3.9 billion in grants for devastated neighborhoods. In return, the administration got both the power to throw Fannie Mae and Freddie Mac a lifeline and the legislation Republicans long have advocated to rein in the government-sponsored mortgage companies.

Treasury Secretary Henry M. Paulson and lawmakers in both parties negotiated the final deal. It accomplishes several Democratic priorities, including aid for homeowners, a permanent affordable housing fund financed by the two mortgage companies and the money for hard-hit neighborhoods. The grants are for buying and fixing up foreclosed properties.

"It is the product of a very significant set of compromises," said Rep. Barney Frank, chairman of the House Financial Services Committee. "We are dealing with the consequences of bad decisions and inaction and malfeasance from years before," said Frank, D-Mass.

Paulson said he would push for enactment of the bill by week's end. Despite disappointment with some items rejected, he said "portions of this bill are orders of magnitude more important to turning the corner on the housing correction and supporting our markets and our economy."

Bush had argued the neighborhood grants would benefit bankers and lenders. But the White House said a showdown with Congress over the proposal would be ill-timed.

It was a striking split for Bush and many congressional Republicans. GOP leaders said they would not be stampeded into supporting a bill they called a bailout for irresponsible homeowners and unscrupulous lenders, even as they acknowledged it was probably necessary.

"It's a bill that I wish I could support. It's a bill that the market clearly needs ... but this is not a bill that I can support," said Rep. John A. Boehner, R-Ohio, the minority leader.

Only 45 Republicans -- most from districts ravaged by the housing crisis and some facing tough re-election fights -- voted for it.

One of those was Delaware's representative.

"This particular package, the product of a significant set of compromises, has now gained the support of the administration as well as key players in the Senate and looks like our best hope to restore stability to the housing market," said Rep. Mike Castle, R-Del. "I am relieved that we have been able to compromise and move this legislation and I am hopeful that the Senate will swiftly send the bill to the president before we leave for the August district work period."

The Treasury Department would gain power to extend the government-sponsored mortgage companies an unlimited line of credit and to buy an unspecified amount of their stock, if necessary. The two companies, chartered by Congress, back or own \$5 trillion in mortgages -- nearly half of the nation's total.

Sen. Richard C. Shelby of Alabama, and Sen. Christopher J. Dodd, the committee chairman, said they would push for swift approval of the measure without any changes.

"We'll be anxious to move this product along," said Dodd, D-Conn.

But conservatives led by Sen. Jim DeMint, R-S.C., were threatening to slow the measure unless Democrats allowed a vote on barring Fannie Mae and Freddie Mac from lobbying and making campaign contributions. Senators' objections could delay enactment of the measure until next week.

Congressional analysts estimate that a government rescue of the mortgage giants could cost \$25 billion, but they predict there is a better than even chance it will not be needed.

The bill would let the Federal Housing Administration back \$300 billion in new loans so an estimated 400,000 homeowners who cannot afford their house payments could try to escape foreclosure by refinancing into safer, more affordable mortgages. Lenders would have to agree to take a substantial loss on the existing loans, and in return, they would walk away with at least some payoff and avoid the often-costly foreclosure process.

The plan also creates a new regulator with tighter controls for Fannie Mae and Freddie Mac and modernizes the agency. It includes about \$15 billion in housing tax breaks, including a credit of up to \$7,500 for first-time buyers, and increases the statutory limit on the national debt by \$800 billion, to \$10.6 trillion.

```
if (!window.print) {  
document.write('
```

To print this article open the file menu and choose Print.

```
');  
} else { window.print(); }
```

```
if(typeof gcion_enable_bt != 'undefined') {  
if(gcion_enable_bt) {  
document.writeln('
```



```
');  
}  
}
```