

No big fixes planned for troubled housing market

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The Obama administration has no plans to introduce another large-scale program for relieving the troubled housing market, despite the president's recent admission that his past efforts have not solved the problem, according to a senior administration official.

President Obama's acknowledgment that the weak housing market had become one of his administration's chief burdens set off industry speculation that there could be another large government offensive to jump-start the sector.

But experts said the government's options are limited. There isn't likely to be the money or political will to push through any significant legislation to address the problem, they said. And the evolution of the housing crisis may have pushed it beyond quick policy fixes.

Yet housing remains one of the biggest drags on the economic recovery and threatens to loom over the 2012 election. Millions of borrowers are facing **foreclosure**, while others are stuck in homes worth less than they owe, leaving them feeling cash-strapped at a time when consumer spending is needed to fuel economic growth.

"There is no money and, to some degree, we have run out of ideas. I have seen them all," said Mark Zandi, chief economist of Moody's Analytics. "I don't think there is something grand that could make a big difference."

Obama set off the speculation about another large housing program earlier this month during a Twitter town hall when he said that dealing with the aftermath of the housing bubble had been one of his chief challenges. The administration had made progress, he said, but "it's not enough. And so we're going back to the drawing board."

The administration is keeping an eye on how the market is evolving and what is driving distress, said an administration official, who spoke on the condition of anonymity to discuss internal deliberations. An inter-agency group that includes senior officials from the Department of Housing and Urban Development and the Treasury Department continues to collect input from outside groups and members of Congress, the official said.

The administration is not preparing to launch a large new program, but is considering several options including expanding existing efforts, the official said.

The administration already has poured billions of dollars into programs to help homeowners avoid **foreclosure**, injected millions of dollars into teetering state housing finance agencies and made it easier for borrowers to refinance their loans even if they owe more than their homes are worth.

But most of those efforts have fallen short of expectations. Despite historically low interest rates, home prices remain near historic lows, sales are weak and a backlog of homes headed to **foreclosure** could prolong the crisis for years.

"I think the administration has put out quite a number of initiatives over the last couple of years to soften the blow of the [housing] crisis. Those measures did soften the blow," said Michael S. Barr, a former assistant Treasury secretary in the Obama administration.

But most foreclosures are now caused by economic factors such as unemployment rather than subprime loans, said Barr, a law professor at the University of Michigan. "I don't think any housing-specific answer is likely to make a significant difference right now. The larger macro issues are more important."

Still, the administration is being inundated with proposals from advocacy and industry groups for buoying the housing market, including a push to loosen strict lending standards and find ways to turn the foreclosed homes weighing on the market into rental properties. Many also want the administration to force banks to cut the principal balance for borrowers who owe more than their homes are worth, known as being underwater, according to industry officials and consumer advocates.

And not everyone has given up on finding a legislative solution. Sen. Barbara Boxer (D-Calif.) introduced legislation earlier this year that would require **Fannie Mae** and **Freddie Mac**, the mortgage financing giants, to allow borrowers who are underwater on their mortgage more flexibility to refinance into lower-interest rate loans without pricey upfront fees. Sen. Johnny Isakson (R-Ga.) recently signed on as a co-sponsor of the legislation, which the lawmakers say could keep 54,000 borrowers out of **foreclosure**.

The biggest opportunity for wide-ranging change may be a settlement being negotiated between a coalition of state attorneys general and large banks related to flawed **foreclosure** practices, industry officials and consumer advocates say. Those efforts are aimed at overhauling the industry's business practices and potentially creating funds that could be used to aid troubled homeowners facing **foreclosure**.

A provision could be added to the potential settlement requiring banks to write down the balances of underwater borrowers, according to consumer advocates.

Overall, the housing market is suffering from too much supply and not enough demand, said David Stevens, head of the Mortgage Bankers Association. It would take more than nine months to sell all of the homes on the market at the current sales rate, according to industry data. But there are also more than 4 million homeowners in trouble on their mortgage, with many somewhere in the **foreclosure** process.

But lending standards remain strict, particularly for investors, many of whom have a difficult time qualifying for the government-backed loans that make up a majority of the market, according to Stevens. "We clearly need an investor market to absorb the inventory," he said.

Some housing experts said that fixing the housing sector may be too big for a single plan. "New measures can make a difference at the margins and help in specific markets, but it will take more stakeholders working together to achieve the biggest scale" of changes, said Peter P. Swire, a law professor at Ohio State University.

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