

WASHINGTON (February 7) – *The Washington Times* published the following editorial entitled “Obama’s Cash for Condos” on Tuesday, February 7, 2012. Congressman Spencer Bachus is quoted in the editorial opposing the President’s housing plan. □

EDITORIAL: “Obama’s Cash for Condos – Administration pushes another risky bailout scheme for homeowners”

The Washington Times

Tuesday, February 7, 2012

Though Fannie Mae and Freddie Mac sparked the housing collapse that crippled the economy, President Obama now wants them to play an even greater role. The president on Wednesday announced his "blueprint for an America built to last," which would have the government-backed mortgage giants underwrite more loans. "We need to do everything in our power to repair the damage and make responsible families whole again - everything we can," Mr. Obama said.

The basic idea is that the government would use its dominance in the mortgage market to subsidize people trading in an old home loan for a new one with a lower interest rate. As part of the deal, taxpayers would provide a \$3,000 subsidy. Borrowers would end up making roughly the same payment each month, and the savings from the lower rate would be used to pay down the loan principal. This scheme bears more than a passing resemblance to the "cash for clunkers" program that handed people between \$3,500 and \$4,500 for trading in an old automobile for a new, more efficient one.

The administration is asking Congress to adopt legislation that would allow those who currently have private loans that aren't backed by Fannie and Freddie to move into a government-issued loan through the Federal Housing Administration. To be eligible, borrowers can't have missed a payment in the past year and must have a credit score that 9 out of 10 borrowers can meet. That's it. There are no appraisals, income verification or other checks to ensure the loan will be repaid. The plan is specially designed to entice borrowers who are underwater, owing up to 140 percent of their home's value. These are the same loose underwriting standards that created

the subprime meltdown.

True to his redistributionist form, Mr. Obama pledges to pay for this giveaway with a \$10 billion tax on "the largest financial institutions." This means the same banks lending out money for these mortgages with one hand will end up charging more for their services with the other. Such class-warfare rhetoric might appeal to his base during election season, but it makes for lousy public policy.

In his State of the Union address last month, Mr. Obama promised, "It's time to apply the same rules from top to bottom: no bailouts, no handouts, and no cop-outs." This plan is all three. The government doesn't need to provide an incentive for refinancing homes to take advantage of historically low rates. Thousands of dollars in savings is incentive enough. Encouraging the same cast of characters who destroyed the housing market in 2007 to reprise their role in 2012 is a blueprint for disaster.

Thankfully, House Financial Services Committee Chairman Spencer Bachus, Alabama Republican, dismissed the proposal, saying it was "not a serious plan." Instead of doing everything he can to win re-election, Mr. Obama ought to work to reduce or eliminate the role these government-sponsored enterprises play in the housing market.

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