

UPDATE: Bush Unveils Plan To Address Mortgage Mkt 'Excesses'

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(Updates with more details of Bush plan)

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WASHINGTON (Dow Jones)--Addressing worries that a subprime mortgage meltdown could prompt a further wave of defaults and foreclosures in the U.S., President George W. Bush unveiled a host of proposals Friday to help struggling homeowners, but warned that the federal government won't bail out real estate speculators.

Flanked by Treasury Secretary Henry Paulson and Housing and Urban Development Secretary Alphonso Jackson, Bush called on lawmakers to reform the Federal Housing Administration, temporarily change a tax provision that's hitting homeowners, and bring better transparency to the often opaque mortgage market.

In his most substantive comments on the mortgage sector's woes, the president acknowledged that there have been "some excesses in the lending industry," particularly as the rise in adjustable-rate mortgages leaves some borrowers unable to make monthly payments. Broader financial markets, he said, are in a "period of transition" as participants reassess and reprice risk.

"This process has been unfolding for some time and it's going to take more time to fully play out. As it does, America's overall economy will remain strong enough to weather any turbulence," Bush said.

Under pressure recently to weigh in on the market's ills, the president detailed proposals to let the Federal Housing Administration guarantee loans for borrowers who are behind on their mortgage payments, a regulatory change that would allow the strapped homeowners to stay in their houses.

"This means that many families who are struggling now will be able to refinance their loans, meet their monthly payments and keep their homes," Bush said.

FHA is a government agency that provides mortgage insurance to borrowers through a network of private sector lenders. Bush has been pushing legislation to modernize the agency since 2006, and on Friday he called on lawmakers to move ahead with a measure that would scrap a required 3% down payment and boost the size of loans FHA can back to \$417,000.

"These reforms would allow the FHA to reach families that need help: those with low incomes and less than perfect credit records or little savings," Bush said.

Bush also called for a temporary tax-code fix to help struggling homeowners refinance their mortgages and avoid unexpected an tax bill. Under current law, canceled mortgage debt on primary residences as taxable income.

"When your home is losing value and your family is under financial stress, the last thing you need to do is to be hit with higher taxes," Bush said. "So, I believe we need to change the code; make it easier for people to refinance their homes and to stay in their homes."

He said he could support bills now in the House and Senate "with a few changes."

While the White House sends homeowners a message that help is on the way, it says the new initiatives don't amount to a government bailout of underwater homeowners, an idea that Bush opposes. Lawmakers, however, have been after the administration to address the problem of rising defaults and foreclosures, which has triggered the recent turbulence in financial markets. Some want Bush to make it easier for government-sponsored enterprises Fannie Mae (FNM) and Freddie Mac (FRE) to increase their mortgage portfolios, but that idea has been rejected by the White House.

"The government's got a role to play. But it is limited," Bush said. "A federal bailout of lenders would only encourage a recurrence of the problem. It's not the government's job to bail out speculators or those who made the decision to buy a home they knew they could never afford. Yet there are many American homeowners who can get through this difficult time with a little flexibility from their lenders or little help from their government."

Bush said the "recent disturbances" in the subprime sector are modest in relation to the size of the U.S. economy. "But if your family is one of those having trouble making the monthly payments, this problem doesn't seem modest at all."

To help those people, Bush announced a host of other measures, including a "foreclosure avoidance initiative" run by Jackson and Paulson and designed to find new ways to refinance.

To avoid a reoccurrence of the subprime meltdown, Bush said the government is taking steps to make the mortgage industry more transparent. Banking regulators are improving disclosure requirements and strengthening lending standards.

"We believe if the consumer is better informed, these kind of problems won't arise - or are less likely to arise in the first place," Bush said.

Bush has been cautiously optimistic on the housing downturn. At a press conference earlier this month, he gave assurances on the housing market, saying that it looked like "we're headed for a soft landing."

That view hasn't changed, despite Friday's proposals, according to White House spokesman Tony Snow. "No, but it's a problem and it's one that needs to be addressed," Snow said. "The economic fundamentals remains strong and... analysts believe there has been a so-called soft landing in the housing market. But having said that, it's important to deal with this problem."

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