

Senate passes housing aid bill

WASHINGTON (AP) — **Congress approved mortgage relief for 400,000 struggling homeowners Saturday as part of an election-year housing plan that also aims to calm jittery financial markets and bolster the sagging economy. President Bush said he would sign it promptly, despite reservations.**

The measure, regarded as the most significant housing legislation in decades, lets homeowners who cannot afford their payments refinance into more affordable government-backed loans rather than losing their homes.

It offers a temporary financial lifeline to troubled mortgage companies Fannie Mae and Freddie Mac — pillars of the home loan market whose losses have sparked investor fears — and tightens controls over the two government-sponsored businesses.

What began as a showdown between the White House and the Democratic-led Congress over how far the government should go in rescuing homeowners evolved into a bipartisan effort that could be the last such compromise before Bush leaves office in January.

In a rare Saturday session, the Senate voted 72-13 to send the bill to the president; the House passed it Wednesday.

Bush had withdrawn his veto threat earlier in the week over \$3.9 billion in neighborhood grants. He contended the money would benefit lenders who helped cause the mortgage meltdown, encouraging them to foreclose rather than work with borrowers.

"Because of the Democratic Congress' delays and the need for action now, President Bush will sign this bill when he receives it, despite our concerns with some provisions, including nearly \$4 billion to help lenders, not the homeowners this legislation is intended to serve," said Tony Fratto, deputy White House press secretary.

Many Republicans, particularly those from areas hit hardest by housing woes, were eager to get behind a housing rescue as they looked ahead to tough re-election contests. Treasury Secretary Henry M. Paulson's request for the emergency power to rescue Fannie Mae and Freddie Mac helped push through the measure. So did the creation of a regulator with stronger reins on the government-sponsored companies, as Republicans long have sought.

Democrats won cherished priorities in the bargain: the aid for homeowners, a permanent affordable housing fund financed by Fannie Mae and Freddie Mac, and the neighborhood grants.

"This is far more than sending a bill to the president's desk for his signature. It's sending a message to the American people that the Congress of the United States — despite an alternative reputation — can actually get things done, and can work together to achieve a good result," said Sen. Christopher J. Dodd, chairman of the Senate Banking, Housing and Urban Affairs Committee.

Still, Republicans weren't eager to celebrate. Bush was not expected to hold a White House signing ceremony, and Senate GOP leaders didn't mention it at a news conference following the vote. In the House, more than three-quarters of Republicans voted against the bill.

Dodd, D-Conn., said he had summoned administration officials to his office next week to demand that the foreclosure rescue program be put into place quickly.

The legislation takes several approaches to curing the ailing housing market.

It aims to spare an estimated 400,000 debt-strapped homeowners, many of whom owe more their houses are worth, from foreclosure by allowing them to get more affordable mortgages backed by the Federal Housing Administration.

The FHA could insure \$300 billion in such mortgages, which would be available to homeowners who showed they could afford a new loan. Banks would first have to agree to take a large loss on the existing loans in exchange for avoiding an often-costly foreclosure.

The plan also is designed to relieve a broader credit crunch that has taken hold because of rising defaults and falling home values. To free up safer and more affordable mortgage credit, the bill permanently would increase to \$625,000 the size of home loans that Fannie Mae and Freddie Mac can buy and the FHA can insure. They also could buy and back mortgages 15% higher than the median home price in certain areas.

The measure tries to prevent blight in areas hardest hit by the housing crisis, where waves of foreclosures have left properties sitting abandoned, dragging down property values and ruining neighborhoods. It sends \$3.9 billion to such neighborhoods to buy and fix up foreclosed properties.

It goes far beyond addressing the current crisis, however.

The legislation overhauls the Depression-era FHA. It requires lenders to show how high a borrower's payment could get under the terms of his mortgage. It provides \$180 million in pre-foreclosure counseling for struggling homeowners.

The Treasury Department gains unlimited power, until the end of 2009, to lend money to Fannie Mae and Freddie Mac or buy their stock should they need it. The Federal Reserve takes on a new "consultative" role overseeing the companies.

The measure includes \$15 billion in tax cuts, including a significant expansion of the low-income housing tax credit and a credit of up to \$7,500 for first-time home buyers for houses purchased between April 9, 2008, and July 1, 2009.

Democratic leaders, recognizing that the measure could be one of the last items to become law during what's left of their abbreviated election-year schedule, tacked on an \$800 billion increase, to \$10.6 trillion, in the statutory limit on the national debt.

Conservative Republicans were vehemently opposed to the bill, particularly the help for Fannie Mae and Freddie Mac. Critics charge the companies enjoy lavish profits in good times and wield their outsized political clout to resist regulation while depending on the government to bail them out should they falter.

Sen. Jim DeMint, R-S.C., delayed the final vote because Democrats refused to allow him a vote on a proposal to ban the companies from lobbying or making political donations to lawmakers.

"We can't have the people who are supposed to watch over these organizations getting money from these organizations," DeMint said. "At least if we're going to ask the American taxpayer to be on the hook for billions, possibly trillions of dollars, let's stop this."

Courtesy of JB Goodwin