## Press Highlights

**Bipartisan Policy Center Housing Commission**  
February 25 – March 25, 2013

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1. **4 Ways to Repeat the Mortgage Mess: Peter Wallison**  
   By John Sullivan  
   Advisor One  
   March 8, 2013

The Fannie and Freddie expert doesn’t think much of an idea currently being floated

Here we go again.

AdvisorOne contributor Peter Wallison took to the pages of The Wall Street Journal on Thursday to decry the government’s latest “fix” to prevent another repeat of the housing market collapse.

Wallison, American Enterprise Institute scholar and former White House counsel under President Ronald Reagan, points to an idea in the mix, one that is “as seductive as it is dangerous:” a private system but with an explicit government mechanism for future bailouts when they prove necessary.

“The rationale?” he writes. “If there's a problem in housing finance, the government will inevitably step in as it did in 2008. So why not create a government insurance program now, compensating taxpayers for the burdens they will have to shoulder eventually anyway?”

This argument, he notes, has been advanced many times since Fannie Mae and Freddie Mac went under, most recently by the Bipartisan Policy Center, a Washington think tank. The plan, released to the public late last month, is already getting some favorable media attention, due to the fact it was written by two former Housing and Urban Development secretaries (Mel Martinez and Henry Cisneros) and two former senators (Democrat George Mitchell and Republican Kit Bond).

“A system for private housing finance with a government insurance backstop may sound reasonable, even sophisticated. But it is seriously flawed.”

First, he argues, such a system cannot logically be contained.

“There is nothing special about housing. Lest we forget, the government also stepped in to rescue the domestic automakers five years ago. Why not a backstop now for Detroit? At the end of this road is bailout nation: a government insurance backstop for every industry.”

Second, taxpayers never get compensated by establishing insurance funds.

“Congress, when it passed the Hurricane Sandy aid bill, bailed out the National Flood Insurance Program to the tune of $9.7 billion. That program had collected insurance over many years to protect against events like Hurricane Sandy—but it wasn't enough.”

He points to other federal insurance systems that have gone or are going broke, including the Federal Housing Administration, the Pension Benefit Guaranty Corp. and the Federal Savings and Loan Insurance Corp.

“To stave off insolvency, the Federal Deposit Insurance Corp. in 2009 ordered banks to pay three years of insurance premiums in advance,” he said.
Congress lacks the incentives of private insurers to charge risk-based rates or to create and maintain the large funds necessary to deal with catastrophic losses, Wallison writes. There is always an incentive to keep rates down to placate interest groups, or to say the fund is large enough—until disaster strikes and the country learns it isn't.

Third, federal insurance encourages careless behavior by those who know that if things go bad, someone will be there with a bailout.

"Consider the Bipartisan Policy Commission's plan, 'Housing America's Future.' The government's role would be to backstop a private system of mortgage insurance. The backstop will only come into play if private insurers can't meet their obligations."

The downside? Investors in mortgages or mortgage-backed securities created under the plan would have little incentive to care about the quality of the loans—precisely because they would ultimately be protected from losses by the government, he says.

Fourth, he says, Congress will do what it always does—expand the program so that it covers more and more mortgages of lower and lower quality.

"Since Fannie and Freddie were bailed out, there has been no end of plans to maintain the government's role as guarantor of mortgages for housing and other real estate," Wallison concludes. "They will all end up putting the country back on the road to another crisis. The only way to ensure a stable mortgage market is to get the government out, and keep it out."

2. **Mortgage association head says government role is too big**
   By Damon Scott
   Albuquerque Business First
   February 27, 2013

David H. Stevens, president and CEO of the Mortgage Bankers Association, has issued a statement regarding Washington’s Bipartisan Policy Center’s Housing Commission report titled “America’s Housing Future: New Directions for National Policy.”

The report, released Feb. 25, lists recommendations for federal housing policy. Recommendations include a new system for financing housing, affordable rental housing, rural housing and demographic changes that could affect the nation’s housing system. “The commission’s report recognizes the important role of a robust rental housing market for the approximately 35 percent of Americans who do not own their own home,” Stevens said. “[The] MBA shares the commission’s concerns about the importance of a sufficient supply of multi-family rental housing, particularly for low-income families.”

Stevens added that it is important that as the housing market and economy continue to recover that stakeholders work together with policy makers to identify solutions that will “support both owner-occupied and rental housing finance."

Stevens said the government’s role in housing finance is currently “too large,” and that the commission’s report “rightfully highlights the need for a greater role for private capital in bearing credit risk, while also acknowledging the continued desire for a limited government function to ensure sufficient mortgage liquidity for qualified borrowers, particularly in times of market stress.”
Stevens added that the commission’s framework closely follows that of the MBA. “The commission also rightfully identifies a number of other issues facing lenders that are causing an overly tight credit environment that limits financing for qualified borrowers, including ‘put-back’ risk and uncertainty in regulatory mortgage rule-making,” he said.

3. **Eliminate Fannie Mae and Freddie Mac, new report suggests, with Birmingham expert in tow**

By Alex Walsh

AL.com

February 25, 2013

A bipartisan group of former legislators and other legal experts has recommended a slate of changes to the federal government's role in the housing market that includes the "winding down and eventual elimination of Fannie Mae and Freddie Mac."

The report was crafted by the Bipartisan Policy Center's Housing Commission after roughly 18 months of detailed policy analysis, explains Rob Couch, Birmingham-based counsel for Bradley Arant Boult Cummings and a commission member. The Housing Commission represents the latest chapter in the BPC's broader story, which includes several years' worth of attempts at tackling the "thornier issues" facing federal policymakers.

Although some say the federal government, in moderation, can help the home lending operate more effectively, BPC members on both sides of the political spectrum agree that reform is needed, Couch says.

That includes changes to Fannie (a.k.a., the Federal National Mortgage Association) and Freddie (Federal Home Loan Mortgage Corporation) -- the government-sponsored enterprises that currently serve the home lending market by assuming some of the risk associated with creating a new loan. These enterprises buy individual loans from lenders, then package those loans together ("securitize" them) to create mortgage-backed securities (MBS).

In 2012, Fannie, Freddie, and the federally-owned Ginnie Mae (Government National Mortgage Association) combined to issue 99.3 percent of all mortgage-backed securities in the market, a 2013 investor presentation showed. That's up from around 44 percent in 2005 and 2006.

"That's too much," says Couch, who once served as president for Ginnie Mae.

The BPC's report advocates for keeping around an entity like Ginnie Mae -- something that is not just backed by, but completely owned by the U.S. government. But there may no longer be a place for entities like Fannie and Freddie.

"As part of this rebalancing, the commission proposes the winding down and ultimate elimination of Fannie Mae and Freddie Mac after a multiyear transition period," the BPC's report reads. "The business model of these government-sponsored enterprises (GSEs)—publicly traded companies with implied government guarantees and other advantages—has failed and should not be repeated."

How does one gradually phase out the entities that issued a vast majority of the mortgage-backed securities in the market in 2012? Couch says there are two tools policymakers can use: tighten up loan limits, to reduce the number of loans with which Fannie and Freddie can be involved; and increase guaranty fees to make private-sector options more attractive.
Which is not to say the process will be easy. "That is a huge undertaking," Couch says. Couch also argues that now is a great time to take on federal housing policy. While more contentious issues are currently dominating the conversation in Washington -- immigration, gun rights, sequestration -- housing may offer an opportunity for both parties to come together and make changes that have broad appeal.

The environment today is "more conducive than it has been," Couch says, and now may be the time to start a "serious but polite conversation" that moves the nation toward change.

4. Bipartisan Group Embraces FDIC-Like System for Mortgages

By Victoria Finkle
American Banker
February 25, 2013

WASHINGTON — A bipartisan group of former lawmakers has offered an outline for a plan to reform the government-sponsored enterprises, embracing a contentious option initially offered by the Treasury Department.

The Bipartisan Policy Center released a blueprint on Monday that would replace Fannie Mae and Freddie Mac with a catastrophic government guarantee in an attempt to significantly increase private market participation in the mortgage market.

"Our new model clearly delineates the respective roles of the government and the private sector, and establishes a clear expectation that private firms suffer the consequences of poor business decisions by losing their capital, with no bailout for private shareholders or bondholders," says the report, unveiled by the think tank's housing commission. "The business model of these government-sponsored enterprises — publicly traded companies with implied government guarantees and other advantages — has failed and should not be repeated."

The recommendation is similar to an option outlined by the Treasury Department two years ago, which also suggested a catastrophic reinsurance plan. While Republicans were open to other options at the time, the GOP did not favor the reinsurance plan because it retained a role for the government in the mortgage market.

The report from the Bipartisan Policy Center, which includes members such as former Sens. Mel Martinez, R-Fla., and Kit Bond, R-Missouri, may suggest the idea has grown more attractive to at least some conservatives since then. (The center also includes former Sen. George Mitchell, D-Maine as well as industry representatives such as Frank Keating, head of the American Bankers Association.)

In a press release issued after the report, Sen. Bob Corker, R-Tenn., said the housing paper "appears to be headed in the right direction by putting substantial private capital in front of the government and resolving the legal limbo of the GSEs."

According to the paper, the government guarantee would "cover losses from an account pre-funded by payments of a separate catastrophic guarantee fee, but only after private credit enhancers have exhausted their own capital and reserves.

"The Public Guarantor must play a strong role as regulator of the new system, including establishing sound prudential standards for private-sector entities and structures that are
permitted to participate in this system as originators, servicers, or credit risk bearers," the paper says.

The idea is functionally similar to that of the Federal Deposit Insurance Corp., which guarantees deposits but requires banks to pay into a fund to absorb any losses after an institution's failure.

The report also recommends reducing the Federal Housing Administration's loan limits over time to help move the industry toward a new housing finance system.

"Through the gradual reduction in loan limits to precrisis levels, the commission also supports a more targeted FHA that returns to its traditional mission of primarily serving first-time homebuyers," it says.

In the near term, the policy center is urging regulators to avoid tightening credit too much, pointing to a spate of recent mortgage rules released by the Consumer Financial Protection Bureau and others.

The "pendulum has swung too far from the excesses of the pre-bust era, and today's credit box is tighter and more restrictive than underwriting practice and experience justify," the report says. "The commission cautions against well-meaning regulations that may go too far and end up reducing credit to consumers.

Going forward, a combination of proper regulation, adequate liquidity, and the right incentives in the private market can help ensure that homeownership remains a vital housing and wealth-building option."

Efforts to reform the housing system have stalled in recent years, with Congress at an impasse and the White House providing little direction on how to proceed. Housing issues are expected to be a top priority for lawmakers this year, but few observers expect tangible progress toward long-term reform.

"We do not believe Congress is prepared to enact a plan that would eliminate Fannie and Freddie and move the securitization business to the big banks," said Jaret Seiberg, an analyst for Guggenheim Securities, in a note to clients. "For us, the real upside to this report is that it might clear the way for the Obama administration to outline its GSE reform approach. We believe that would be a material development as it would signify whether a deal over the next three years is possible or not."

5. It’s Time to Adopt a Unified Voice for Housing

By Al DelliBovi
American Banker
March 4, 2013

In January, one of my colleagues at the Federal Home Loan Bank of New York received the rare honor of being able to perform at the 57th Presidential Inauguration as a member of the award-winning Brooklyn Tabernacle Choir.

Each member of a choir brings his or her own strengths to the song, but a choir only works when all of its members sing the same song in one voice. This unity is what gives a song its power. It is time for those of us committed to responsible and sustainable housing finance policies to speak in one voice. I believe "Housing America’s Future: New Directions of
Earlier this year, at the American Securitization Forum's annual trade show, Michael Stegman, counselor to the Secretary of the Treasury, stated that "a more unified voice within the investor and securitization community could help accelerate our collective pace down the path of comprehensive housing finance reform."

In outlining a series of goals for housing finance reform, Stegman noted that Treasury would "seek to enhance the conditions for private capital to serve a greater role in taking on mortgage credit risk." This belief is at the heart of the Housing Commission's report: The current government role in the mortgage market must be decreased and the private sector role must be increased if any housing recovery is to not only be achievable, but sustainable, as well.

Through Fannie Mae, Freddie Mac and the Federal Housing Administration, the government supports more than 90% of single-family mortgages. As part of the needed rebalancing within the mortgage market, the report proposes, over a multi-year period, the winding down and ultimate elimination of Fannie Mae and Freddie Mac. As the report states, "the business model of these government-sponsored enterprises — publicly traded companies with implied government guarantees and other advantages — has failed and should not be repeated."

The report proposes replacing Fannie and Freddie with an independent, wholly-owned, government corporation – the public guarantor. This new guarantor would not buy or sell mortgages or sell mortgage-backed securities. Rather, it would guarantee investors the timely payment of principal and interest on these securities, and would serve only as a catastrophic government guarantee. Under this new model, private capital would once again be the primary source of funding in the mortgage market, a system that benefits consumers, taxpayers and the overall economy.

Let's remember that during the past four decades, the contribution of housing to the national GDP has averaged between 17% and 19%. Even now, despite its challenges, housing still accounts for approximately 15% of GDP. But this diminished contribution is a major reason why the effects of the financial crisis have lingered for so long, why recovery has been so slow and why the Federal Reserve has kept interest rates low.

The Housing Commission strongly believes that, when done right, homeownership can produce powerful economic, social and civic benefits that serve the individual homeowner, the larger community and the nation.

The report calls for a return to the sensible and responsible approach to housing that has been proven over time: solidly underwritten, fixed-rate mortgages with reasonable down payments suited to each individual borrower; loans which have the expectation to be repaid and a system in which homeowners have a reasonable expectation for home value appreciation. This is the type of responsible lending our nation's network of community banks is built on, and it is the type of lending that I see the members of the FHLBNY do every day.

In February, the New York State Department of Financial Services released a study on New York's community banks. In New York, community banks originate 50% of small business loans statewide, as well as 90% of the agricultural loans, while holding only roughly a quarter of the deposits in the state. These numbers reflect just how much communities
across New York depend on their local lender. It is the same story in communities and states across the country.

The best way to meet the needs of consumers and communities is to once again have the private sector play the lead role in the housing market, led by responsible local lenders. A durable housing finance system provides access to lenders of all types and sizes, including community banks and credit unions. These local lenders know the communities they serve, and their continued involvement in the mortgage market allows for mortgage credit to reach all communities in a responsible and localized manner. These are goals that Stegman outlined in his comments in January, and these are goals echoed in the Housing Commission's report.

As responsible lenders, we have the rare honor of supporting America's housing market, the backbone of our economy. I encourage you to read the Housing Commission's report. It is a detailed document nearly two years in the making, and reflects the thoughts and ideas of leaders from across the housing spectrum. As policymakers continue to struggle to find an appropriate response to the challenges facing housing and look to the private sector for guidance, I believe that this report can serve as the sheet music to ensure that our voice is one, unified and strong.

6. **Raising FHA’s Game**
   By Clifford Rossi
   American Banker
   February 25, 2013

The last few weeks of Congressional hearings regarding the Federal Housing Administration's underwater insurance fund underscore the divergence in opinion over the role of the federal government in housing finance.

Adding fuel to the controversy, the General Accountability Office has weighed in with a new report calling out the FHA's situation as high-risk and deserving of policy action. Significant changes are needed to strengthen, not eviscerate the agency that has provided access to credit markets to millions of homeowners during all economic cycles, including the financial crisis of 2008-2009. From a public policy perspective there may be a way to turn the Mutual Mortgage Insurance Fund issue into a long-term positive by establishing a new independent government housing corporation as a major step toward comprehensive housing finance reform.

During a period of heightened sensitivity over big government’s role in markets, the FHA's expanded share of the mortgage market has been a lightning rod issue. However, like it or not, the FHA may have averted an even steeper decline in housing prices and higher mortgage rates had it not stepped in during the crisis when private capital evaporated from the market. Recent Congressional testimony by Julia Gordon from the Center for American Progress Action Fund highlights analysis by Moody’s Analytics estimating that home prices would likely have fallen another 25% beyond their lowest levels and mortgage rates would have doubled had the FHA not surged in when it did. We may debate the magnitude of these figures, but the point is clear: the FHA provides a critical countercyclical role that limits economic and social damage when markets implode.

The FHA, as noted in an earlier GAO report, has been plagued with a chronic underinvestment in resources, particularly in risk management. While there are so many contributing factors to the MMI Fund's problem, including an unprecedented housing decline, the resource drought at FHA is significant. As a part of the Department of Housing
and Urban Development, it is at a competitive disadvantage in recruiting top talent compared to the banking regulatory agencies, which are on a higher pay scale. The FHA also lacks the pricing analytics and portfolio valuation technologies that are industry best practices for institutions with portfolios as large and complex as the MMI Fund.

One solution to the current situation at FHA would be to establish an independent and self-funded Federal Housing Finance Corp. with a commission structure like the FDIC's, but comprised of heads of critical federal housing agencies such as HUD, the Federal Housing Finance Agency, the Consumer Financial Protection Bureau, and the Office of the Comptroller of the Currency, and overseen by a special inspector general's office. Such a structure would ensure federally guaranteed housing programs have the resources needed to manage such programs, and provide a mechanism for creating more effective countercyclical outcomes in times of crisis and stability. Having a commission would allow more stakeholders to have a voice into the strategic direction of the agency.

The primary responsibility of this FHFC would be to determine actuarially fair fees for the federally insured segment of the housing market now served by the FHA and to manage the federal insurance fund (the successor to today’s MMI). Another critical function of the FHFC would be coordinating and facilitating the development of an active and broad market for credit enhancements which would include private mortgage insurance companies and other potential investors. As part of that job, the corporation would be responsible for pricing a catastrophic reinsurance fee for non-federally insured mortgage securities in a post-Fannie and Freddie market. The concept of such a catastrophic guarantee is outlined in the Treasury’s housing finance reform proposal as Option 3, and echoed in the recent report of the Bipartisan Policy Center. The coverage would be triggered only after shareholders of private guarantors have been totally wiped out. This would provide a part of the critical infrastructure needed to facilitate private investment in mortgage markets again.

The corporation would also be responsible for developing and modifying the Qualified Mortgage and Qualified Residential Mortgage standards (currently the CFPB’s job) as well as setting seller and servicer qualification standards for all loans that obtain a federal guarantee. These pricing and policy responsibilities would enable the corporation to take decisive action to scale up during an emergency and systematically scale down when conditions stabilize.

All of these activities require a level of sophisticated risk management practices beyond the capabilities of today’s FHA due to its status inside HUD. Funded by assessment fees (as a general and administrative portion of its guarantee fees), the new organization could recruit from existing FHA staff as well as Fannie Mae and Freddie Mac as these agencies are wound down. However, the new corporation would maintain a close relationship with HUD via the commission structure and hence a focus on affordable housing while ensuring appropriate pricing, policy and portfolio management capabilities are in place. Just as the often conflicting twin missions of the GSEs (profit maximization and affordable housing) contributed to their demise, the dual mission of affordable housing and maintaining stability in the MMI Fund requires a different approach.

7. Congress, Not FHFA Should Be Reforming the GSEs
By James Carr
American Banker
March 19, 2013

Since the collapse of the housing market and the 2008 government takeover of Fannie Mae and Freddie Mac, Congress has done nothing to address the future of the two failed housing
finance giants. But that could change Tuesday, when the Senate Banking Committee will consider a new proposal for housing finance reform recently released by the Bipartisan Policy Center.

You would think that getting the U.S. housing finance system right would be a critical priority for Washington lawmakers. After all, the housing market by some estimates constitutes a fifth of our national economy. Right now, Fannie and Freddie back about two thirds of all mortgages in the U.S and manage roughly $5 trillion of mortgage debt. But for close to five years, these secondary market companies have languished in conservatorship, while the national attention has been focused elsewhere.

There are likely multiple causes for the inaction. To begin with, Fannie and Freddie are a political hot potato, in part due to a barrage of misinformation about their roles in the foreclosure crisis. What’s more, as the housing market recovers, Fannie and Freddie are no longer drawing money from the Treasury, but are returning money to it. And Congress has discovered that raising the guarantee fee charged by the companies is a handy piggybank to dip into when needing to pay for the costs of unrelated legislation such as the payroll tax cut.

Also constraining quick action on reform is the fact that Fannie and Freddie are complex financial institutions, and reengineering the housing finance system of the future is no small feat. Add to that the political posturing by the nation’s largest financial firms due to the tens of billions of dollars of potential annual earnings at stake, and it is clear why deciding the fate of Fannie and Freddie may be as difficult for Congress as is reaching a deal to avoid the sequester.

Nevertheless, the Senate hearing comes at a time when we can see a bipartisan consensus on a way forward for the secondary mortgage market. The Bipartisan Policy Center’s housing recommendations reflect broad agreement that the 30-year, fixed-rate mortgage is the gold standard for a safe and sustainable mortgage market. The report also found consensus around the critical need for a reformed multifamily finance system to meet the demand for affordable rentals, and the need for the system to provide access to safe and affordable mortgages for all creditworthy borrowers, including those of low and moderate income.

Perhaps most important, the bipartisan plan recognizes the need for the government to retain a guarantor role in the core GSE-supported portion of the market. At this point, the Bipartisan Policy Center’s reform plan is one of 19 proposals that call for some explicit government support for the segment of the market traditionally served by the GSEs, while only a few outlier plans propose no government role beyond the Federal Housing Administration.

In the absence of Congressional action on reform, the Federal Housing Finance Agency, the agency charged with managing Fannie and Freddie while they remain in government conservatorship, is essentially revamping the system on its own. For example, just last week, FHFA Acting Director Edward DeMarco put forward a plan to create a brand-new corporation to merge the securitization operations of Fannie and Freddie.

While this plan makes sense from a purely logistical perspective, it is simply inappropriate that a step this significant for the future of the housing market would move forward without any congressional hearings, public discussions or external input of any kind. As David Stevens, the president of the Mortgage Bankers Association, states, "Proposals of this
magnitude need a transparent process to engage with stakeholders, articulate objectives and alternatives, and demonstrate that stakeholder concerns have been evaluated and addressed."

Let's not forget the most important stakeholders – American households and communities. There is nothing less at stake here than the future of homeownership. Research and our lived experiences confirm the tight link between housing and economic opportunity in this country. Reforming the secondary market is not just a necessary precondition to build a strong, sustainable housing market, but is a key component of growing our economy and achieving broadly shared prosperity. We urge Congress to act soon to begin this important discussion.

*Jim Carr is senior fellow with the Center for American Progress and distinguished scholar with the Opportunity Agenda.*

8. **Millennials Expected to Dominate Housing Market by 2020**
   By Credit.com
   AOL Real Estate
   March 1, 2013

Though the housing market has made significant strides over the last year or so, many experts believe it will continue to improve in the short term. However, new data also shows that it could continue to do so decades into the future as well. A combination of baby boomers aging into retirement and their children maturing into more secure financial standings could encourage significant improvement in the national housing market through 2030, according to new data from the Bipartisan Policy Center.

For instance, boomers who are approaching their retirement age or have recently passed it now number some 78 million people. They are expected to become interested in relocating in their post-career lives, which will lead to more home sales nationwide as they not only move into new properties but sell their old ones. In addition, the children of baby boomers -- known as millennials or echo boomers -- may soon have the financial wherewithal to wade into the market for the first time in their lives, particularly as the older members of that generation gain stronger financial standing. There are roughly 62 million people in this age group nationwide, and it's believed that before the decade ends, they will make up between 75 and 80 percent of all homeowners under the age of 65.

And in particular, it's likely that as these potential buyers become interested in the market, they will turn to potentially less-expensive properties which are currently vacant, the report said. As those are scooped up, values will generally rise nationwide and therefore encourage more sellers to enter the market themselves, meeting demand. Overall, it's believed that by 2030, the national homeownership rate will climb to as much as 60 percent.

The national average home value is expected to continue improving in the next year or more at least, as low interest rates persist in pulling more buyers into the market. That in turn encourages competition for a small number of properties and lures prospective sellers into listing their properties for sale.

9. **The U.S. Simply Doesn't Have Enough Available Rental Housing, Whether You're Rich or Poor**
   By Emily Badger
   The Atlantic
   February 25, 2013
The Census Bureau says there are about 41 million renter households in the United States, a group making up about 35 percent of the country. And the renter ranks are expected to swell this decade as the housing demand of Baby Boomers and their children starts to converge. Twentysomethings who’ve been living at home during the recession will finally move out to form their own households. Many Baby Boomers, meanwhile, are expected to downsize into smaller rentals units where they won’t have to mow their own lawns. Housing wonks have projected that we may need to build at least 3 million new rental apartment units in the next 10 years to satisfy all these people. And if you’re a renter just about anywhere in the country, you may already be feeling the crunch: As Cities reported last summer, it’s lately become cheaper to buy a home than to rent one in the vast majority of America’s 100 largest metros.

This is a problem for young professionals and even decently paid ones trying to live close to jobs in expensive cities like New York and San Francisco. But America’s shortage of affordable rental housing trickles down with particularly depressing effects to the extremely low-income.

The Bipartisan Policy Center released a massive report today on how we might restructure housing policy to better serve the country and brace against the kind of housing crash from which we’re still recovering. Among the starkest pictures in the report is this snapshot of what your housing prospects look like in America when your family lives on something more like $10,000 a year:

"Housing America’s Future: New Directions for National Policy," Bipartisan Policy Center
The left column shows the number of rental units in America considered "affordable and available" by the Department of Housing and Urban Development (a unit is considered "available" to you if it’s vacant or currently occupied by someone with your income or lower). The right column shows the number of renter households by income category. We have, in essence, enough affordable rental housing to house people who aren’t low-income at all, or who are moderately or even very low-income (admittedly, this chart says nothing about whether or not that supply exists in the same neighborhoods or cities as the demand for it).

But we have only 3.7 million rental housing units available in the U.S. to 10.3 million households living in extreme poverty. As the report’s authors add: "This mismatch would
likely be even larger if we considered only those homes located in safe, amenity-rich neighborhoods with good-performing schools and access to jobs."

In turn, this means that the poorer you are in America, the more you’re disproportionately funneling your income into the roof over your head. Households spending more than 30 percent of their income on rent are considered by the federal government to have a "moderate housing burden." Those spending more than half their income on housing have a "severe" burden. This chart from the report shows that nearly 80 percent of extreme low-income households (families making less than 30 percent of the area median income) have a rent burden:

**Chart 4-1: Housing Cost Burdens Among U.S. Renters, 2009**

![Chart showing housing cost burdens among U.S. renters, 2009]


"Housing America's Future: New Directions for National Policy," Bipartisan Policy Center

In all, according to the Bipartisan Policy Center, federal housing assistance helps only about a quarter of the people who are eligible for it because the demand is so much greater than the supply. Now, as rents continue to rise faster than incomes throughout the economy, it will be as important for cities to focus on housing these residents as those professionals for whom "affordability" means something quite different. In some markets, the report notes, strong competition for older units means that we may also wind up upgrading apartments once accessible to lower-income households with new amenities – expensive kitchen appliances, nicer bathrooms – that will only push those units permanently out of reach.
10. **Bipartisan Policy Center releases plan to reform housing finance system**  
**Bank Credit News**  
**February 26, 2013**

The Bipartisan Policy Center, a think-tank organization that promotes bipartisan policy solutions, recently released a housing plan that calls for a reduced role of government in the U.S. housing finance system and the reform of housing assistance programs.

“The report is a strong one, which I believe charts a course for a much needed return of the private market to housing finance. It also states where government involvement is needed it is explicit, paid for, and limited,” Frank Keating, the president and CEO of the American Bankers Association, said. “Together we have crafted a set of proposals that are reasonable, effective and realistic, and address critical policy issues in a manner that can be supported by the diverse interests we represent.”

The plan calls for reforms that would implement a performance-based system to deliver federal rental assistance, to preserve and expand the Low-Income Housing Tax Credit program, and to shift existing resources to help the most vulnerable households, Mortgage Orb reports.

The plan notes the importance of housing counseling to prepare first-time homebuyers for homeownership and recommends proposals that will allow seniors to “age in place.” The proposal also calls for continued support for homeownership and rental assistance for nearly one-third of Americans who live in rural communities.

The commission’s four co-chairmen, including former Senate Majority Leader George J. Mitchell, former Sen. Christopher S. Bond (R-Mo.), former Housing and Urban Development Secretary and former Sen. Mel Martinez (R-Fla.), and former HUD Secretary Henry Cisneros, said that the government has not yet proposed a strategy to reform the housing finance system.

“Six years after the collapse of the housing market, the problems in housing remain as severe as ever and solutions continue to be elusive,” the committee members said, according to Mortgage Orb. “We hope [our report] will serve as a catalyst for action.”

11. **Bipartisan Panel Calls for Limited U.S. Role in Housing Finance**  
**By Clea Benson**  
**Bloomberg**  
**February 25, 2013**

Fannie Mae (FNMA) and Freddie Mac (FMCC) should be replaced with a government corporation that would assume losses in catastrophic circumstances, a bipartisan panel of retired U.S. lawmakers and former officials said in a report today.

The new entity proposed by the Washington-based Bipartisan Policy Center would guarantee principal and interest payments on mortgage-backed securities issued by private lenders, taking a fourth loss position behind borrowers, banks and insurers.
“The problems in housing remain both severe and urgent,” George Mitchell, the former U.S. senator and co-chairman of the panel, said today at a presentation on the report. “More than four years after Fannie Mae and Freddie Mac were placed into conservatorship, the nation lacks a clear vision for the future of housing finance.”

The blueprint is similar to those put forward by the National Association of Realtors, the Mortgage Bankers Association and other groups in that it envisions a continued government role as a backstop for the mortgage market.

Fannie Mae and Freddie Mac had no explicit government backing before they were seized in 2008 after investments in risky loans pushed them to the brink of insolvency. The two companies have since drawn about $190 billion in taxpayer aid and paid Treasury $50 billion in dividends.

Housing-finance reform has failed to gain traction in Washington, in part because Democrats and Republicans are divided over alternatives. Fannie Mae and Freddie Mac have returned to profitability, further sapping momentum for change.

At the same time, taxpayers bear the risk on about 90 percent of new home loans through the two government-sponsored enterprises and agencies including Federal Housing Administration and the Department of Veterans Affairs.

12. **Washington Daybook: March 1**
   By James O’Connell
   Bloomberg Daybook
   February 25, 2013

The Bipartisan Policy Center releases proposals for scaling back the federal government’s role in mortgage finance. The Center for American Progress hosts a discussion on the need for a financial transactions tax, with European Commission for Taxation and Customs Union Algirdas Semeta.
13. **Mitchell Call for New Systems for U.S. Housing Finance**  
_Bloomberg TV_  
_February 25, 2013_  

Watch the video here.  

![Image of George Mitchell and Stephanie Ruhle](image)

**MARKET MAKERS**  
_A NEW VISION FOR HOUSING_

14. **Bipartisan Group Calls for Phaseout of GSEs. Limited Federal Role in Mortgage Market**  
_By Mike Ferullo_  
_BNA_  
_February 25, 2013_

Latest Development: Blueprint for housing market reform envisions market dominated by private capital with federal backstop.

The Bipartisan Policy Center is hoping to jump-start congressional debate on housing finance reform with a new report that calls for the elimination of government-sponsored enterprises (GSEs) Fannie Mae and Freddie Mac in favor of a new system dominated by private capital and backed by the federal government only in times of extreme economic distress.

The Feb. 25 report from the center's Housing Commission recommends that policymakers scale back the government role in the nation's housing finance system to that of a "public guarantor." After the gradual phaseout of Fannie and Freddie over five to 10 years, the government would no longer buy and sell mortgages or issue mortgage-backed securities (MBS), according to the plan.

The commission envisions that the federal government would provide a backstop guarantee on privately issued mortgages and MBS, after collecting small premiums from the security issuers and others. The federal guarantee would be explicit, but would be triggered only
after all of the private capital in the primary loss positions has been exhausted, according to the report.

The government fund would be in a “fourth-loss position,” following borrowers and their home equity, private credit enhancers, and the corporate resources of the issuers and servicers.

“The guarantee would apply only to the MBS and would not apply to the equity or debt of the private institutions that issue them or to any insurers of the loans or credit enhancers,” the report said. “Further, a new or existing public entity would be established to maintain the standards for the limited government guarantee and to collect the premiums for a guarantee reserve fund.”

The commission's approach to federal guarantees is similar to a proposal issued by the Mortgage Bankers Association in 2009. Reps. John Campbell (R-Calif.) and Gary Peters (D-Mich.) also embraced the concept of a federal backstop role in legislation that was introduced in 2011, but received little attention (121 DER EE-9, 6/23/11).

Under the commission's plan, the public guarantor would have a number of market responsibilities, such as qualifying financial institutions to serve as MBS issuers, ensuring the institutions are well capitalized, and setting guarantee fees to cover potential catastrophic losses, according to the report.

Call for Action

Former Senate Majority Leader George Mitchell (D-Maine), co-chairman of the Housing Commission, said he is hopeful the report will spur lawmakers from both parties to begin a national debate on housing finance reform.

“More than four years after Fannie Mae and Freddie Mac were placed into conservatorship, our nation still lacks a clear vision for the future of housing finance,” Mitchell said. “The federal government's overwhelming presence in the mortgage market is unsustainable.”

The GSEs, along with the Federal Housing Administration (FHA) and Ginnie Mae, have been propping up the U.S. mortgage market since 2008. More than 90 percent of home loans originated during the past five years are either owned or backed by the government entities.

A legislative overhaul of the GSEs has been mostly on hold during the past four years as the Obama administration, uneasy about upsetting the fragile market, has not backed a specific overhaul plan. Republicans, meanwhile, have focused much of their attention on proposals that would replace the GSEs with a fully privatized mortgage finance system, a non-starter with Democrats and many in the mortgage industry.

Private Market Role

The commission's report said that continued government involvement is essential to ensuring that mortgage credit remains available and affordable to qualified homebuyers.

But the commission also said that the private sector should begin playing a more significant part in bearing some of the credit risk.

The report urged a steady reduction in conforming loan limits on GSE and FHA loans to pre-crisis levels. The FHA, which is under severe fiscal strains, also must play a “more targeted”
role in the mortgage market by primarily serving first-time homebuyers and leaving others to the private markets, the commission said.

The commission also identified a number of “regulatory obstacles” that it said have restricted the flow of privately-backed mortgage credit. The obstacles include overly strict mortgage lending standards, borrowing restrictions for well-qualified self-employed individuals, uncertainty about the extent of “put-back” risk for mortgage lenders, and requirements for multiple appraisals and the use of distressed properties as market comparisons.

“The credit pendulum has swung from one extreme to the other, blocking the path to homeownership and delaying a housing market recovery,” Mitchell said.

The commission wants the Treasury Department and banking regulators to take an inventory of various new mortgage regulations that have been issued or remain in development under the Dodd-Frank Wall Street Reform and Consumer Protection Act.

“The Treasury Department should report back to the President without delay not only with this assessment, but also with a plan to align these requirements as much as possible to help get mortgage credit flowing again,” the report said.

For More Information


15. Report lays foundation for housing policy
   By Jennifer Athas
   Boston Herald
   March 7, 2013

The housing market is on the mend but experts say the healing process has been held back by “rigid” rules for buyers and lenders.

A bipartisan commission of former Cabinet secretaries, ex-senators and top housing and economic experts released an expansive new vision for housing policy last week, calling for a greater role for the private sector and a more limited role for the federal government.

The panel also advocated for the elimination of government-sponsored mortgage lenders Fannie Mae and Freddie Mac, along with reform of the Federal Housing Administration to improve efficiency.

“Today, a number of obstacles prevent a return to the conditions that prevailed in the late 1990s — before lax underwriting infiltrated the system and contributed to the crisis — and stand in the way of qualified borrowers accessing mortgage credit,” the Bipartisan Policy Center’s 136-page report states. “Restoring the appropriately conservative underwriting standards in place before the housing bubble, with their focus on the overall creditworthiness of the borrower, could help to improve the health of the housing market.”

The FHA appears to be more cautious than it used to be. The report notes that in 2012 the average FICO score for an FHA loan was close to 760 on a range of 300 to 850, compared to the 710-720 that the average Fannie Mae and Freddie Mac borrower had in 2001.
“The pendulum may have swung too far in the wrong direction,” said Nicolas Retsinas, director emeritus of Harvard University’s Joint Center for Housing Studies, who served on the housing commission. “We want to make sure we are not so strict with our lending standards to facilitate a full recovery to the housing market.”

Other obstacles discussed in the commission’s findings include a lack of access to credit for well-qualified, self-employed individuals, potential “put-back” risk to lenders liable for government-backed mortgages that default, and the sale price of distressed or foreclosed homes used as comparisons in appraisals of non-distressed property.

Retsinas also noted that the housing recovery has been bumpy because several important federal rules are still pending.

“We need to increase clarity and consistency for many lenders. We also have to create a system that doesn’t favor large lenders,” he said. “We need to have a level playing field.”

16. **Commission recommends killing Fannie and Freddie**
By Ilyce Glink
CBS Money Watch
February 25, 2013

Are we ready for a mortgage market without Freddie Mac and Fannie Mae?
The Bipartisan Policy Center, based in Washington, D.C., says we should be. It recommended a number of federal housing policy changes in a report released this morning, including the near erasure of government-backed lending and encouraging more private lending to credit-worthy homebuyers.

The report, "Housing America's Future: New Directions for National Policy," set out guidelines to establish a number of policies designed to rebuild the private mortgage market and provide better access to housing for homebuyers and renters.

Chief among the recommendations was eliminating government-sponsored enterprises Fannie Mae and Freddie Mac and replacing them with a completely government-owned entity called the Public Guarantor. This new entity would operate similar to Ginnie Mae, guaranteeing the timely payment of principal and interest payments on residential mortgages without buying or selling mortgages or issuing mortgage-backed securities.

Study confirms widespread mortgage fraud

Mortgage rates starting to climb

Mortgage lenders cracking down on single-family rentals
While it was necessary for the government to step in when the market collapsed about five years ago, the government's current role in financing housing has ballooned beyond what is sustainable, the commission argued.

And in fact Fannie Mae, Freddie Mac or the Federal Housing Authority now support 90 percent of single-family mortgages, a business model that "has failed and should not be repeated," according to the report, a statement backed by recent news that the FHA faces billions of dollars in potential losses for the first time in its nearly 80-year history.

But the process of transitioning from a government-dominated mortgage system to a private one will take between five and ten years and include several steps along the way.
"It's not going to be a radical dramatic change," said commission co-chair Mel Martinez, a former Republican senator from Florida, who is also a former secretary of the U.S. Department of Housing and Urban Development.

The federal government would reduce the size of the GSE portfolios, move pricing structures closer to what one might find when private capital is at risk and lower GSE loan limits so that bigger loans do not qualify for a government guarantee and are moved instead to the private market.

"Far more private risk-bearing capital must flow into our nation's system," Martinez said during the press conference.

The government's role through the Public Guarantor would provide a limited guarantee for catastrophic risk, the likes of which we've only seen in the recent housing crash. The government's role in guaranteeing mortgage-backed securities would only be triggered after all private equity is wiped out.

"Our new model clearly delineates the respective roles of the government and the private sector, and establishes a clear expectation that private firms suffer the consequences of poor business decisions by losing their capital, with no bailout for private shareholders or bondholders," the report states.

This government-guaranteed money would also come from a pre-established fund, not money allocated by Congress in an emergency, Martinez said.

Furthermore, the commission wants to see the FHA move back toward its traditional mission of primarily serving first-time homebuyers who don't have enough money for a sizable down payment and have limited access to housing.

In the report, the commission also expresses concern that far too many creditworthy people are being denied housing due to overly strict underwriting standards.
"The credit pendulum has swung from one extreme to the other," said commission co-chair, George J. Mitchell, a former Democratic senator from Maine.

The average qualifying FICO score for a Fannie Mae or Freddie Mac loan has increased by 40 to 50 points over the past decade, from around 710 to 715 in 2001 to 760 by today's standards, according to data in the report obtained by CoreLogic.

The report points to "unnecessarily rigid down payment, debt-to-income, and credit score requirements" as one of the obstacles facing potential homebuyers today.
"We believe these issues must be resolved before the housing market can be fully recovered," Martinez said.

The Bipartisan Policy Center is a non-profit organization largely filled by former Democratic and Republican politicians that promotes policy recommendations to Congress and the president's administration. The recommendations must still be adapted by the president or a member of Congress, so it may be a while before we see any of these recommendations -- in one form or another -- pop up for a vote in Congress.
WASHINGTON (CBSDC) — A new federal housing report is calling for the elimination of mortgage lenders Fannie Mae and Freddie Mac.

The Bipartisan Policy Center commission proposes in “Housing America’s Future: New Directions For National Policy” to scale back the federal government’s role in the nation’s housing finance system and have a greater role for the private sector.

“Profound demographic changes are transforming the country and our housing needs. The aging of the Baby Boomers, the formation of new households by millions of young Echo Boomers striking out on their own, and the increasing diversity of the American population will present new challenges and opportunities for housing providers and policy makers,” co-chairs and former Sens. George Mitchell, Kit Bond and Mel Martinez said in a press release.

MoneyWatch reports that the chief recommendation calls for replacing Fannie Mae and Freddie Mac with a government-owned entity called the Public Guarantor, which includes a private secondary market for mortgages.

“It’s not going to be a radical dramatic change,” former Florida Republican Sen. Martinez told MoneyWatch. “Far more private risk-bearing capital must flow into our nation’s system.”

According to the report, there would be limited catastrophic risk in the Public Guarantor’s role.

“Our new model clearly delineates the respective roles of the government and the private sector, and establishes a clear expectation that private firms suffer the consequences of poor business decisions by losing their capital, with no bailout for private shareholders or bondholders,” the report states, according to MoneyWatch.

The report also calls for the Federal Housing Authority to be reformed after potentially losing billions of dollars for the first time in its history and also establishing a new performance-based system for delivering federal rental assistance.

CAP Senior Fellow Janneke Ratcliffe testifies before the Senate Committee on Banking, Housing, and Urban Affairs. Read the full testimony (CAP Action)

We are here today to discuss not just the future of the housing finance system but also the future of housing and economic opportunity for Americans. As technical as this debate can be, we encourage you not to lose sight of the ultimate impact of the housing finance system on households, communities, and the economy. Research and our lived experiences confirm the link between housing and economic opportunity in this country, from the importance of decent and affordable rental housing and the many benefits of homeownership to the central role of the housing economy on economic vitality.
You’ve asked whether there is a bipartisan way forward on housing finance reform. There is. The Bipartisan Policy Center’s housing recommendations are based on a view shared across the political spectrum that homeownership is a desirable option when viable, and that those who do not buy a home ought to have access to affordable, quality rental housing. More specifically, this group agrees that the 30-year, fixed-rate product is the gold standard for a safe and sustainable mortgage market; that there is a critical need for a reformed multifamily finance system to meet the demand for affordable rental; and that the system must provide access to safe and affordable mortgages for all creditworthy borrowers, including those of low and moderate income.

At this point, the Bipartisan Policy Center’s reform plan is 1 of 18 proposals—including several bipartisan ones—that call for some explicit government support for the segment of the market traditionally served by the government-sponsored enterprises, while only a few plans propose no government role beyond FHA.

In other words, while a couple of outlier proposals still call for withdrawal of all support, we see a very broad consensus emerging. It is time to move on from this question because ironically, until we do so, the government will continue to provide a 100 percent guarantee for the vast majority of mortgages.

19. Corker Says BPC Housing Reform Proposal Headed In Right Direction
Chattanoogan
February 25, 2013

Responding to a housing reform report from the Bipartisan Policy Center, Senator Bob Corker, (R-Tn.), a member of the Senate Banking, Housing and Urban Affairs Committee, credited the proposal for focusing on putting “substantial private capital in front of the government” and “resolving the legal limbo” of government-sponsored enterprises Fannie Mae and Freddie Mac, which own or guarantee roughly half all mortgages in the U.S. at a total value of more than $5 trillion. Fannie and Freddie were taken into government conservatorship in 2008 and have already cost taxpayers $137 billion.

“I look forward to reviewing the report in more detail, but it appears to be headed in the right direction by putting substantial private capital in front of the government and resolving the legal limbo of the GSEs,” said Sen. Corker. “I thank them for their contribution to the conversation, and I hope we get serious and long-term reform this year.”

In the last Congress, Sen. Corker introduced legislation to responsibly unwind Fannie Mae and Freddie Mac and end dependence on the government for housing finance.

20. Bipartisan Policy Center Unveils Federal Housing Report
C-SPAN
February 25, 2013
But while the plan isn't quite as radical as it first sounds, if implemented it would mean a significant change if another housing bubble builds and bursts -- a change that would have more of the risk falling onto individual homeowners instead of the federal government.

"Housing America's Future: New Directions for National Policy" was authored by the Bipartisan Policy Center, a Washington, D.C.-based group founded by former Senate luminaries Howard Baker, Tom Daschle, Bob Dole, and George Mitchell.

Among other things, the report recommends slowly winding down Fannie Mae and Freddie Mac -- the government-owned housing agencies that had to be bailed out at great taxpayer expense after the most recent real-estate bust -- and replacing them with what the report's authors call the "Public Guarantor."

Taking the heat off taxpayers and putting it on homeowners

As the name suggests, the Public Guarantor would serve a similar function as Fannie and Freddie, but with a twist that would take the heat off the taxpayer in the event of another catastrophic housing-market event, like the one we saw in 2007.

Right now, Fannie and Freddie buy mortgages originated by the nation's banks, package them up into mortgage-backed securities, and sell them to investors. In return, Fannie and Freddie pay interest on the securities back to the investors.

But unlike Fannie and Freddie, the Public Guarantor wouldn't buy mortgages or issue mortgage-backed securities. The private sector would now handle that. And in the event of another burst housing bubble, the Public Guarantor would only guarantee investors their interest payments and the return of their initial investments.

This guarantee would only be triggered after the private capital in line ahead of it had been exhausted. Specifically, the government would be fourth in line to take a loss, which means, of course, the taxpayer is also fourth in line.
Mission accomplished, right? Yes, but it’s a double-edged sword.

Goliath Wins This Match, for David’s Own Good

While it’s great that the taxpayer is less on the hook for mortgage-market trouble, that default risk has to land somewhere.

With this new plan, part of that somewhere is back onto the borrower, who would be first in line to take the hit if the Public Guarantor guarantee is ever triggered. Next in line after borrowers are private-credit enhancers and finally the corporate resources of mortgage issuers and servicers.

So in the end, under this proposed plan the government would only be giving an ironclad guarantee to investors in privately issued mortgage-backed securities.

Why favor the big investor over the little homeowner? Because investor demand for mortgage-backed securities is what drives demand for mortgage lending in the first place, thus allowing the little guy to get his mortgage at all.

There simply aren’t enough investors who will buy mortgage-backed securities without some sort of backstop from the federal government. Over a 30-year period, the time span of popular U.S. mortgages, there’s just too much risk of default, even with borrowers who have good credit. So the only way to keep enough liquidity in the home-lending market -- and therefore ensure that qualified people who want home loans can get them -- is to guarantee the big-time investor.

Taking on homeowner-default risk is the whole reason the government started supporting the housing market to begin with, all the way back in the 1930s, when the Federal Housing Administration was created. The private-lending market wouldn’t take the risk on all by itself then, and it won’t take it on now, either.

Not to Worry, Nation

So under this proposed plan, ultimately the taxpayer is still on the hook but would gain some protection from the vagaries of the housing market. It would come, however, at the expense of the homeowner.

If any of this frightens you, keep the following in mind: This report and its recommendations is a nonbinding report by a nongovernmental bipartisan institution -- even if it is an influential one.

Bipartisanship isn’t exactly the watchword of the day in Washington. (If there's one thing partisans from the left and the right typically find common ground on, it's their dislike of wishy-washy, weak-spined bipartisans.) So, while the recommendations in the report are interesting and potentially game-changing, nobody in Washington has to pay any attention to it. So they probably won’t.

John Grgurich is a regular contributor to The Motley Fool. Follow his dispatches from the bleeding heart of capitalism on Twitter @TMFGrgurich.

22. Bipartisan Group Proposes Formula for Sustainable Homeownership
   By Esther Cho
   DSNews.com
   February 25, 2013
Although some argue the push for homeownership was the root cause leading to the housing downturn, a report from the Bipartisan Policy Center’s (BPC) Housing Commission argued it was actually a wide range of factors that converged to create the crisis and offered its own formula for encouraging “sustainable” homeownership for those with modest incomes.

After the collapse of the housing market and the hundreds of thousands of foreclosures that came with it, many questioned “the elevated status of homeownership,” the commission explained in a report titled Housing America’s Future: New Directions for National Policy. But, according to the report, policies encouraging homeownership weren’t the main problem, though “overly exuberant home buying provided an important stimulant.”

A few of the real culprits named in the report included factors such as the relaxation of underwriting standards, emergence of abusive and predatory mortgage products, and activities of unqualified borrowers who submitted false or inadequate credit information. While the Consumer Financial Protection Bureau (CFPB) has offered up new rules to prevent risky lending practices, the commission believes “the pendulum has swung too far from the excesses of the pre-bust era” and stated “today’s credit box is tighter and more restrictive than underwriting practice and experience justify.”

With past mistakes in mind, the commission argued sustainable homeownership should be encouraged among lower-income borrowers and can be achieved through broad availability of prime, fixed-rate mortgage financing and adjustable-rate mortgages with clear terms and limits on adjustments and maximum payments. The commission also recommended counseling for those who may need it.

To make its point, the report cited a study from the North Carolina’s Center for Community Capital that assessed 46,000 low-income homeowners who received traditional 30-year fixed-rate mortgages between 1999 and 2009 through a program. The study found 95 percent of those homeowners were continuing to make mortgage payments at the end of the decade, even surviving the housing crisis. The default rate among the loans was also less than one-quarter the default rate of subprime loans that the borrowers might have otherwise received, but the default rate was still higher compared to prime loans not part of the program.

The households in the study had a median income of $30,000 and oftentimes put down less than 5 percent on their home purchase. Overall, the researchers in the study found low-income households with mortgages that were properly serviced and without risky features can perform “quite” well.

The commission also advised requiring housing counseling for certain situations.

“Housing counseling can and should play an important role as a credit enhancer, mitigating the risk of lending to borrowers on the margins of creditworthiness,” the report stated. Providing an example of the impact of counseling, the report noted a study from the Federal Home Loan Banks on foreclosure rates within FHLBanks’ homeownership programs that required counseling. The program was for lower-income and first-time homebuyers. Between 2003 and 2008, 1,177 out of 70,163, buyers in the program were in foreclosure, which translates to only 1.7 percent.

“Clearly, as indicated by the numbers, homeownership counseling works,” the report concluded.
Lastly, the commission also acknowledged the importance of “a strong, vibrant system of housing finance that can ensure a steady flow of mortgage funds to prospective homeowners and those seeking to refinance.”

23. **Experts Offer Proposals for Housing Finance Reform at Hearing**  
   By Esther Cho  
   DS News.com  
   March 19, 2013

Three industry analysts gave testimony before a Senate committee on housing finance reform Tuesday. While all three experts expressed support for more private capital and less government involvement, the proposed degrees of government support varied.

“It’s been more than four years since Fannie Mae and Freddie Mac were placed under government conservatorship, yet there is still no clear path forward,” said Mel Martinez, co-chair of the Bipartisan Policy Center’s Housing Commission, in his written testimony.

To move forward, Martinez recommended more private participation to protect taxpayers.

“The dominant position of the government in the market is unsustainable,” he said. “Yes, private capital is flowing through the system, but it absorbs very little of the system’s credit risk.”

Currently, about 90 percent of single-family mortgages have some form of government backing.

Martinez recommended the elimination of the GSEs over a period of about 5-10 years and the creation of a limited, government guarantee called the “Public Guarantor.”

The entity would have a similar model to that of Ginnie Mae and ensure timely payments of principal and interest on qualified mortgage-backed securities. The public guarantor would be the fourth in line before taking a loss, with borrowers, private credit enhancers, corporate resources of the securities’ issuers and mortgage servicers coming before the guarantor.

He also stressed that the model of the GSEs should not be reproduced.

Peter Wallison, Arthur F. Burns Fellow in Financial Policy Studies at the American Enterprise Institute, argued for a private system based on prime mortgages with no direct financial support from the government.

“Our proposal is based on the simple idea that the housing finance market will operate steadily and stably if a high preponderance of the mortgages it processes through securitization are prime loans,” he said.

Although the proposal permits only prime mortgages into the securitization system, subprime mortgages could still be made, but they would be held on private balance sheets and not securitized, he explained.

Janneke Ratcliffe senior fellow at the Center for American Progress, expressed support for 30-year, fixed-rate mortgages as the “gold standard for a safe and sustainable mortgage market,” but said without government support, the product is likely to be of the past.
Ratcliffe also stressed for more than just access to safe, affordable mortgage financing, but for a reformed multifamily finance system to meet the demand for affordable rental as well.

   By Alanna Brown McCargo
   Examiner
   February 26, 2013

On Tuesday, the **Bipartisan Policy Center** (BPC) released its long awaited white paper: **Housing America’s Future**, providing recommendations on housing policy for the American Housing Finance system. The report is the result of 16 months of research, collaboration, meetings, and analysis conducted by BPC’s Housing Commission—a group of former Congressional leaders, industry experts and policy makers interested in making progress in the recovery of America's housing system. The 134-page report covers a number of key housing topics and reflects on American housing history, the current state of home ownership and rental, impact of changing demographics on housing, and opportunities to reform the housing finance system and fully recover from the economic down turn. Read the full report [here](http://example.com).

**Untangling A Complex Web**

Housing has been at the epicenter of the failing American economy, and the BPC report provided great insight into issues that led to the housing downturn and what can be done to ensure the same mistakes are not repeated. The question that remains is whether the vision laid out for the future can become real actionable policy? Is it possible to untangle the current housing web without causing total disruption to an already fragile market?

The American housing finance system is extremely complex, with a number of players involved in the process from government (federal/state/local), consumers, financial institutions, housing counselors, realtors, appraisers, insurers, securities investors and the list goes on and on. This complexity and the sheer number of stakeholders involved in the sale, origination, servicing and securitization of a single American mortgage are a big part of the problem with the overall system. The BPC Housing commission offered some suggestions to simplify the system and make the risk more transparent so that it can be properly managed and priced. This seems directionally correct, but the ability for the housing industry to implement and unwind many years of the tangled web will prove to be the biggest challenge—particularly where government guarantees, mortgage backed securities and private investors are involved.

Suggestions to unwind Fannie Mae and Freddie Mac have been floating around the industry and Capitol Hill for quite some time, and the commission paper agrees this is necessary. The report suggests that unwinding these government-sponsored enterprises will take a lengthy transition and a fallback agency to play some critical roles these entities play in the housing finance system. The new replacement structure would have a role to set standards and provide a backstop for the riskiest mortgages, providing a ‘catastrophic guarantee’, that would continue to provide confidence in mortgage backed securities and the ability to sustain a long term fixed rate mortgage structure. Given the state of our government, its lack of a budget and the pending sequestration, it doesn't seem feasible that anything could happen quickly.

Furthermore, the ability to gain consensus and build policy and to make operational such massive change in the industry will take years to accomplish.

**What The Report Means for Average Americans**
Some observations for consumers to take away from the report and how the average American might be impacted by some of the recommendations of the Commission if they became policy:

1. **Renting** is a key part of housing future. Given the fast changing demographics and the higher bar to get into home ownership, rental is and will be at the core of future housing needs for Americans. Access to affordable rental and incentives for renters similar to those of home buyers would provide some potential tax relief to renters that today only homeowners get the benefit from. The need for safe and affordable rentals has never been greater, and the demand is high. Focus on rental programs for the future will be key as more American's move to renting vs. buying.

2. **Tighter Credit and Underwriting** for mortgages will return. This is already taking place as the market contracts and responds to new regulatory requirements for mortgage lending that have come about since the housing crisis began. This means 'back to the basics' of underwriting mortgages, where larger down payments would be required, higher reserve requirements (savings) and strong debt to income ratios would be needed to ensure the mortgage loan could be supported long term. For average consumers, that means **low/no down payment programs would be scarce, and first time home buying may take longer to achieve.**

3. **Reduced government involvement** in housing finance, which means the role government plays in the housing process becomes more of a support role to help underserved borrowers and communities with financial education, subsidies and first time homebuying assistance. For average consumers, government pull back could mean higher cost for financing a mortgage (higher interest rates) as the private industry takes more control and ownership back. In addition it may mean you have less access to long term financing options like the 30-year fixed rate mortgage, because the risk on such long term lending is very high to financial institutions and investors. There is a good and bad side to government involvement that will have to be weighed as new policies come forward. Either way it impacts you, either as a taxpayer who bears the cost of government involvement or as a consumer who bears the increased cost to finance.

4. **Counseling** will have a critical role and the government should continue to provide more robust and reliable educational resources and counseling for first time home buyers and those struggling with debt and mortgage payments. These services would help consumers ensure they make the right buy vs. rent decision and help new entrants into housing navigate the waters with support and at no cost to the consumer.

The report from the Housing Commission concludes with a compelling call to action. It stresses the urgency of fixing our broken housing system to ensure a sustainable future given the rapid changes taking place nationally. The issues need to be kept front and center in the national policy agenda, and as the Administration and Congress make key decisions around spending cuts that might potentially harm America's housing future. The report concludes: "Our nation's housing system is broken. Home ownership remains out of reach for far too many families who stand prepared to assume its financial and other obligations, while limited access to affordable mortgage credit impedes our nation’s economic recovery and future growth... The problems we face in housing are so significant and so urgent today that inaction is no longer a viable option. In responding to these problems, we have an opportunity to improve the lives of millions and make America a stronger and more economically vibrant country, today and well into the future."
Rental apartments are on the rise. **Five to six million new renter households** may be created within the next 10 years, likely caused from low inventories of homes available and tight credit conditions, according to a recent study by Washington’s D.C.’s Bipartisan Policy Center. With this in mind, some worthwhile tips on how to make a rental feel more like one’s own are as follows. If you rent or know of someone in a dorm situation or an apartment, share these tips by young, up-and-coming interior designers Allison Hennessy and Nick Olsen in order to feel settled in a temporary space.

1. **Makeover Walls**

“*The simplest and least expensive way to enhance your rental’s architecture (or lack of) is by revamping the walls,*” says Hennessey. One way to make rental walls over is with **WallPops**, the premier line of peel-and-stick wall art from Brewster Home Fashions. With wall art designs ranging from Wall Art Kits, Stripes, Dots, square and die-cut Blox, an offering by red-hot designer Jonathan Adler and more, there are limitless options.

“As the wall décor isn’t permanent, it provides an opportunity to go bold, I particularly like stripes, especially for a foyer or hallway. For a fun metallic accent to add to a space, I like the WallPops by Jonathan Adler Santorini Stripes in a fresh grey, white and gold design.”

2. **Add Bold Built-ins**

While some apartments come equipped with beautiful built-ins, others can be more lifeless. Olsen says, “*To add intrigue and make the space feel like it was built just for you, add your own built-ins without damaging walls.*” One way to do this, he advises, is by adding two tall bookshelves that reach to nearly the top of the ceiling on either side of a doorway. To make them pop, try painting them in a bold color such as high-gloss black, burnt orange or Pantone’s 2013 color of the year, emerald green.

Create your own built-ins with a pair of tall bookshelves.

3. **Let It Shine**

“*Most rentals have dreadful, cheap ceiling lights and fans,*” says Hennesey. She suggests updating these eyesores with inexpensive landlord-friendly fixes. “*Swap out current fixtures with new pendants or lampshades that complement your décor. When it’s time to move you can easily put back the old fixture and take the new one with you.*”

Additionally, try hanging plug-in wall sconces in hallways or above sofas and opting for WallPops’ affordable line of Chandeliers priced at approximately $30.99. Whether the WallPops Posh Chandelier featuring five tiers of mod-shaped silver ovals hanging 33.5 inches, the Icicles with small silver reflective squares at 29.5 inches, or for color, the Cupid with five rows of pink hearts and beads at 20.75 inches, which all awaken a space. WallPops Chandeliers’ inner frame fits most standard light cord sets.

4. **Choose Transitional Items**

As apartments often provide little space to fill with all of your favorite items, make sure to
be particular with the furnishings and accessories you do have in each room. Hennessey says, “Chic Europeans live with less things but they are all very fine. I’ve adopted this approach in my own life. I live in a small apartment in my favorite neighborhood that doesn’t require a lot of furniture, but all the items I have, I love.”

To get this chic look, first get rid of any items that have lost their purpose or are no longer in style. Then invest in pieces that can easily transition to the next apartment, such as neutral upholstery, chairs, end tables, beautiful bed linens, lamps and art. Olsen agrees and says, “Even if you’re not locked into your current apartment, invest in great items that finish off a room and make it feel cozy, such as area rugs and curtains. When you move you can always cut the rug down if it doesn’t fit in the next space. For the curtains, if your next rental’s ceilings are shorter you can let in the hem or if ceilings are higher, you can simply let it out. Don’t shy away from these details that make a place feel settled into and a real home.”

5. Go Big

To create architectural interest and to seemingly double the size of the room and welcome more light, add a large leaning mirror to one wall. Find a mirror that’s nearly half the size of the wall or place a few medium-sized mirrors side-by-side to visually enlarge the space. Try positioning it or them across from a window that receives natural light so it can be reflected back into the room. If, like some apartments, you don’t have a window in a room, Olsen advises to, “Add a large-scale oil painting, even in a small space. The painting will bring light and vibrancy into the room. People are often too cautious when it comes to scale, but I’m a big proponent of creating impactful decorating by maximizing it. When you love the artwork, you shouldn’t have a half of it or two-thirds, measure the walls, add a large fitting piece and see how it wakes up the room.”

Position a large mirror in a space that receives natural light to reflect it back into the room.

By incorporating these tips, you’ll find that you don’t need a mortgage to feel like you really have a home.

A large oil-painting adds vibrancy to a room without windows designed by Nick Olsen.

26. Bipartisan Policy Center Housing Commission Report is a Strong Plan for a Better Housing Market
By Alesha Larkins
Freestone County Times
March 6, 2013

The BCL of Texas NeighborWorks HomeOwnership Center, a leading provider of homeownership education and counseling in North Texas, applauded the recent release of a new report by the Bipartisan Policy Center’s Housing Commission that offered bold recommendations for strengthening the availability of homeownership and rental housing choices at all stages of a person’s life. The report follows the worst housing downturn since the Great Depression that has affected the housing future of young and old alike.

The four main policy proposals of the Bipartisan Policy Center’s (BPC) report are sustainable homeownership, an improved housing finance system, stronger rental housing assistance
and performance measurement, and a comprehensive approach to meeting the needs of our nation’s seniors.

“These proposals make broad sense for the many families in North Texas who are struggling to achieve homeownership,” said Rosa Rios Valdez, CEO of BCL of Texas.

In particular, Rios Valdez underscored the importance of quality housing counseling that is included in the BPC report.

“Quality housing counseling is extremely important to the stability of the housing market, both ownership and rental. We’ve seen in our own business that housing counseling provided by trained and certified professionals can help consumers make sound financial decisions for the long-run,” said Rios Valdez.

In 2012, the BCL of Texas NeighborWorks HomeOwnership Center provided housing counseling to 667 consumers, and expects demand for quality housing counseling to continue in 2013.

As a member of the NeighborWorks network, BCL of Texas contributed to the more than 121,000 people provided housing counseling by NeighborWorks organizations last year.

“While a lot has to happen before the Bipartisan Policy Center’s Housing Commission report recommendations are implemented, I believe that this is a big step forward for making all types of housing more affordable and accessible for not only families in North Texas, but for families all across the country,” says Rios Valdez.

For more information on the homeownership services provided by the BCL of Texas NeighborWorks HomeOwnership Center, call (877) 688-7457 or visit www.bclhomeownershipcenter.org.

About BCL of Texas
Established in 1990 as a statewide not-for-profit Certified Development Corporation, BCL of Texas successfully promotes business and community development and provides business capital and commercial real estate loans throughout Texas. True to its mission to create jobs through business development, BCL of Texas has helped to create jobs for more than 4,670 Texans. In addition to providing businesses with counseling and technical assistance, BCL of Texas originates, underwrites, processes, closes and services business loans to healthy, growing businesses. The organization also offers homebuyer education classes, assists first-time homebuyers with the purchase of their first home and helps customers remain responsible and successful homebuyers. BCL of Texas is a member of the nationwide NeighborWorks® Network, which engages in revitalization strategies that strengthen communities and transform lives. For more information go to www.bcloftexas.org
A new housing report is calling for the elimination of Fannie Mae and Freddie Mac as part of a winding down of the federal government's involvement in the mortgage finance business.

The report, released on Monday by the Bipartisan Policy Center (BPC), proposes a multi-pronged plan to modernize the housing sector by expanding private capital in the mortgage market, with a continued but limited role for the federal government, an overhaul of the Federal Housing Administration (FHA) and improvements to rental assistance programs.

Sen. Bob Corker (R-Tenn.), a member of the Senate Banking, Housing and Urban Affairs Committee, credited the proposal for focusing on how to move forward with scaling back the involvement of government-sponsored enterprises Fannie and Freddie, which guarantee more than $5 trillion of the nation's mortgages.

"It appears to be headed in the right direction by putting substantial private capital in front of the government and resolving the legal limbo of the GSEs," Corker said. "I thank them for their contribution to the conversation, and I hope we get serious and long-term reform this year."

In the last Congress, Corker introduced legislation to unwind Fannie and Freddie.

Sixteen months in the making, the report provides a blueprint for how private-sector financing will play a greater role in bearing credit risk and providing mortgage funding while ramping up taxpayer protections.

"The report is a strong one, which I believe charts a course for a much-needed return of the private market to housing finance. It also states where government involvement is needed — it is explicit, paid for and limited," said Frank Keating, American Banking Association president and CEO, who is a member of the group.

The plan also reworks how federal rental subsidies are distributed by focusing on the nation's most vulnerable households and rewarding providers who demonstrate strong results at the state and local levels with increased flexibility in program administration.

"We are pleased that the Commission recognizes that private capital must play a larger role in any future housing finance system, and that there is a role for clearly defined government involvement in housing," said John Dalton, president of the Financial Services Roundtable's Housing Policy Council (HPC).

"Gaining perspective from a diverse group of housing market stakeholders, including the Housing Policy Council, is an appropriate step toward comprehensive reform of the secondary mortgage market," Dalton said.

The proposal calls on preserving and expanding the Low Income Housing Tax Credit program to increase the supply of affordable rental housing.

For first-time home buyers, the report suggests housing counseling to prepare for homeownership.
The report highlights the challenges and opportunities for housing providers amid the growing senior population, that will help seniors "age in place" and integrate housing with healthcare and other programs.

For the one-third of people who live in rural areas, the commission recommends continued support for homeownership and rental assistance in those communities.

The BPC launched the Housing Commission in October 2011 to develop a new vision for federal housing policy led by former Senate Majority Leader George Mitchell (D-Maine), former Sen. Kit Bond (R-Mo.), former Sen. and HUD Secretary Mel Martinez (R-Fla.) and former HUD Secretary Henry Cisneros, and includes 17 others.

28. **Congress to resume budget, spending battles**
   By Peter Schroeder and Vicki Needham
   The Hill
   March 18, 2013

Both chambers of Congress are back to work this week as budget and spending battles continue.

Budgets pushed by both parties will hit House and Senate floors this week. Republicans will look to advance Rep. Paul Ryan’s (R-Wis.) plan, while Democrats mount support for a competing version from Sen. Patty Murray (D-Wash.). Both measures are expected to pass, but it remains to be seen how many party defections will take place. The Hill is tracking votes for both budgets here.

Meanwhile, the Senate will continue looking for a way forward on a continuing resolution to keep the government operating beyond March 27. The top Democrat and Republican on the Appropriations panel had struck a deal on a spending package, but the measure was bogged down by amendments on the floor last week, pushing work on it into Monday at least.

The Federal Reserve will provide an update on its monetary policy on Wednesday, after a two-day meeting of the Federal Open Market Committee (FOMC). The Fed is still in the midst of a bond-buying spree, the third of its kind, in an attempt to boost the economy, and the central bank has committed to keep it up until it sees substantial improvement in the labor market. Fed Chairman Ben Bernanke will explain the monetary policy update with a press conference afterward.

The Senate Banking Committee on Tuesday will vote on two nominees to lead a pair of the nation’s financial regulators.

The panel is set to consider Mary Jo White to lead the Securities and Exchange Commission, and Richard Cordray to continue on as director of the Consumer Financial Protection Bureau. The pair appeared before the panel the week before, and while White seemed to emerge unscathed and on track for confirmation, Cordray continues to face staunch GOP opposition. While Republican lawmakers say they personally appreciate his work, they intend to block any nominee to lead the bureau unless major changes are made to its structure. Both nominees should clear the Democratic-controlled panel, but Cordray’s path before the full Senate looks iffy.

After that vote, the panel will hold a hearing to talk about forging a compromise on housing finance reform.
Former Republican Sen. Mel Martinez (Fla.), co-chairman of the Bipartisan Policy Center’s Housing Commission, will testify, along with Janneke Ratcliffe, a senior fellow for the Center for American Progress. Last month, the center released a report that suggested eliminating Fannie Mae and Freddie Mac as part of a winding-down of the federal government’s involvement in the mortgage finance business.

That same day, the House Financial Services Committee will also dig into housing, holding a hearing to explore the financial state of the Federal Housing Administration and Fannie and Freddie. The former is potentially facing billions in losses on failed mortgages, while the latter pair has needed nearly $200 billion in government support to stay afloat since the financial crisis, but has recently begun turning a profit again.

On Tuesday, the Senate Finance Committee will take a look at how this year’s trade agenda is shaping up, with an eye on how to increase export opportunities for U.S. businesses, which could boost economic growth.

There is plenty to talk about — the 11 nations involved in the Trans-Pacific Partnership want to wrap up work on the trade deal this year, although that target could change if they decide to allow Japan to join the discussions. There is also the expected start of negotiations in June on a U.S.-EU trade deal and a potential international services agreement. The panel will discuss several in-house issues, including the renewal of trade promotion authority and trade adjustment assistance.

The next day, the committee will explore ways to reform the delivery of healthcare via new approaches to Medicare and Medicaid.

The House Ways and Means Committee will continue its tax reform debate on Tuesday as well, holding a full committee hearing to discuss how the federal tax code affects state and local governments, and what impact reform to that code could have.

House appropriators have a range of hearings on tap throughout next week. Funding for programs, including the FBI, the General Services Administration and NASA, will be among those being examined.

29. Bipartisan housing commission wants GSE dominance erased
   By Megan Hopkins
   Housing Wire
   February 25, 2013

In many respects, our housing system is outdated and not equipped to keep pace with today’s demands and the challenges of the imminent future, the Bipartisan Policy Center’s Housing Commission wrote in a report released Monday.

In its ongoing effort to study the key issues that form the basis of a resilient housing system, the Housing Commission proposed a number of goals to ensure the national housing system allows individuals and families to have a say in their living situations.

The BPC Housing Commission believes that by changing our nation’s housing finance system, the range of ownership and rental housing choices will be increased for consumers at all stages of life. The uncertainty in the country’s housing finance system has minimized consumers’ choices, specifically when seeking a mortgage, the report asserts.
To rebuild the housing finance system, the BPC says the private sector must play a bigger role in bearing some of the credit risk. Currently, the government supports more than 90% of single-family mortgages via entities such as Fannie Mae, Freddie Mac, Ginnie Mae and the Federal Housing Administration. The government also supports roughly 65% of the rental mortgage market.

"The dominant position of the government that currently exists is unsustainable," said Mel Martinez, former U.S. Senator and former secretary of the U.S. Department of Housing and Urban Development. Reducing the footprint of the government and increasing private capital participation will protect taxpayers while providing for a greater diversity of funding sources, the policy report suggested.

However, the housing commission says continued government involvement is crucial to ensuring mortgages continue to be available and affordable to homebuyers who qualify.

In rebalancing the nation’s housing finance system, the commission proposed the dissipating and ultimately the elimination of Fannie Mae and Freddie Mac after a five-to-10 year transitional period.

The commission proposed that the GSEs be replaced by an independent, wholly owned government corporation — the "Public Guarantor" — that would provide guarantee investors the timely payment of principal and interest on these securities. The model proposed is similar to Ginnie Mae.

After all private capital ahead of it has been exhausted, the Public Guarantor would provide a limited catastrophic guarantee.

"A strong, vibrant secondary market for these securities is essential," Martinez said.

This proposed entity would put the government in the fourth-loss position following borrowers and their home equity, private credit enhancers, and the corporate resources of the issuers and servicers.

The public guarantor will hold multiple responsibilities including, qualifying institutions to serve as issuers, servicers and private credit enhancers; ensuring the institutions are well capitalized; establishing the guarantee fees to cover potential catastrophic losses; ensuring the actuarial soundness of two separate catastrophic risk funds for the single-family and rental segments of the market and settling standards for the mortgages backing government-guaranteed securities.

30. **Survey unveils families desire to rent versus own a home**
   
   **Housing Wire – The Ticker**
   
   **February 25, 2013**

Renting may be on the rise, but a large majority of single-family renters desire a move to homeownership in the near future, a new study says.

As for now, they are content to rent and at least 80% of single-family home renters think their property management is good or exceptional, according to a survey of renters by Opinion Research Corporation for Premier Property Management Group.
The survey unveils some of the characteristics of single-family renters versus apartment dwellers and elaborates on how both groups feel about becoming homeowners.

Single-family rental homes are in high demand, and according to U.S. Census data, "From the peak of the housing boom in 2005 to 2010, single-family rentals grew at 21% versus just a 4% increase in total housing units."

According to the survey, it took only 2.6 months to rent the available stock of available single-family homes last summer compared to 5 months in 2007.

Single-family renters compared to apartment dwellers not only make more money than apartment dwellers, but also are nearly twice as likely to have children.

Half of all renters anticipate becoming homeowners in the next five years, which includes 60% of single-family renters and 44% of apartment dwellers.

Contrary to the belief that struggles obtaining financing keeps renters from owning homes, the survey revealed that not being able to get a mortgage was only ranked third at 31% for apartment dwellers and 29% for single-family renters. "Enjoy renting" ranked first for single-family renters, and "don't want to own" ranked first for apartment dwellers.

Keeping up with the increased demand, "five to six million new renter households may be created within the next 10 years," according to the Bipartisan Policy Center.

"Single-family rentals can be found in virtually every community today and more and more families are choosing single-family rentals either as a temporary stop on the road to becoming homeowners or as a permanent solution to their housing needs," said Chris Clothier, director of sales & marketing and partner of Premier Property Management.

31. **BPC claims growing senior population needs help**
   Housing Wire
   February 25, 2013

We are still largely unprepared to meet the needs of the overwhelming numbers of seniors who wish to “age in place” in their own homes and communities, said the Bipartisan Policy Center in a report released Monday.

The number of senior citizens in America, those age 65 and older, is expected to double between 2010 and 2040. The BPC argues that the needs of the overwhelming number of seniors who want to "age in place" are not prepared to be met yet.

The commission proposed better coordination of federal programs that deliver housing and health care services to seniors. The BPC suggests that the U.S. Department of Housing and Urban Development and the Department of Health and Human Services should work together to identify the barriers to the use of residential platforms for meeting the needs of seniors.

Additionally, the commission proposed better integration between aging-in-place priorities and federal programs. The approach to meeting the needs of the senior population should be more coordinated, according to the BPC.
A White House conference could bring together top federal officials and key players in the private and public sectors to draw national attention to the issue of senior housing and to catalyze development of a coordinated approach to aging in place, the report claims.

32. **Reaching a unified housing market**  
*Housing Wire – The Ticker*  
*March 5, 2013*

"In outlining a series of goals for housing finance reform, Michael Stegman, counselor to the Secretary of the Treasury, noted that Treasury would "seek to enhance the conditions for private capital to serve a greater role in taking on mortgage credit risk." This belief is at the heart of the Housing Commission's report: The current government role in the mortgage market must be decreased and the private sector role must be increased if any housing recovery is to not only be achievable, but sustainable, as well."

Read the full story at American Banker, byline Alfred A. DelliBovi

33. **The great debate: Should housing advocates have a say in housing finance?**  
*By Kerrl Ann Panchuk*  
*HousingWire*  
*March 19, 2013*

A discussion by housing analysts in front of the Senate Committee on Banking, Housing and Urban Affairs makes two things very clear: demand for private capital to fund more of the mortgage finance system is there, and the underlying issue that must be addressed is the market’s ongoing unwillingness to price the risk associated with subprime mortgages up front.

The only question is how far should the market swing to ensure safety, while still trying to appease the nation’s ongoing commitment to homeownership?

As the Federal Housing Finance Agency continues to work through the creation of a future securitization platform and the inevitable end of the GSEs comes, the remaining question is how far will the nation go in pricing risk ahead of time and what will the market look like after that shift?

There are two distinct viewpoints in the matter.

The Senate Committee featured testimony from Janneke Ratcliffe, a senior fellow for the Center for American Progress Action Fund, who warned that some type of government backstop is needed to keep mortgage lending affordable.

"A completely private market would mean a smaller market and a riskier one, and one that would not meet the fundamental requirements of stability and liquidity to support a robust housing market in this country," Ratcliffe told the Committee.

"History has shown us that a housing finance system that relies on private risk-taking will be subject to a level of volatility that is not systemically tolerable, given the importance of housing to the economy and the American family."

Yet, fears over affordability may have created some of the risks that ended up creating a bubble and the subsequent wipe out of trillions of dollars in equity, according to Peter Wallison with the American Enterprise Institute.
"The reason such a large bubble developed is that housing bubbles tend to suppress delinquencies and defaults," said Wallison.

"As long as housing prices are rising, people who are in danger of default can refinance or sell the home for more than the amount of the mortgage. As weaker and weaker mortgages do not seem to be producing more delinquencies and defaults, lenders go further and further out on the risk curve and investors in MBS do not get the signals that should tell them their risks are increasing."

With this in mind, Wallison told the Committee only prime loans should be securitized in the future housing finance system. He believes subprime mortgages should only be made by firms that understand the risks and who are willing to keep those loans on private balance sheets.

As to where the problem lies, Wallison suggests true lending costs are artificially deflated by special interests groups. And he says this construction inevitably resurfaces every time a special interest group wins out in the shaping of housing policy.

He suggested that Fannie and Freddie were stable when they only bought prime mortgages.

"Let’s be clear where the problem lies," Wallison said. "Community activists, realtors and homebuilders want loose underwriting standards. Loose standards mean more people can buy homes, but none of these groups suffer the losses when the market collapses as it did in 2008. Who is visiting congressional offices asking for tighter mortgage underwriting standards? The answer is no one."

Even as those testifying pushed for at least some type of government guarantee or backstop, the handwriting is on the wall. To ensure the risk of lending is at least priced appropriately, prices will have to shift to a model where the assumption is a private actor takes the hit of risk first. The end result of this shift is a pricing model that quantifies the risk, forcing borrowers to pay a bit more.

**Mel Martinez**, co-chair of the **Bipartisan Policy Center's Housing Commission**, pushed for some type of government guarantor, but said protecting the taxpayers from loss means "the protection will come at the cost of higher mortgage rates for borrowers."

For starters, private credit enhancers will charge fees to cover the risk of default and any type of public guarantor of mortgages will be forced to charge an unsubsidized fee to cover the risk.

34. **New Report: Kill GSEs, Limit US Support for Mortgages**
   By George Brooks, Paul Muolo
   Inside Mortgage Finance - News Daily
   February 25, 2013

A bipartisan panel co-chaired by two former HUD secretaries believes that Fannie Mae and Freddie Mac should eventually be killed and replaced with a government guarantor that would be in a fourth-loss position on mortgages.

According to a report unveiled Monday morning, the Housing Commission of the Bipartisan Policy Center wants an entirely new system of housing finance, which proposes to replace
the GSEs with a “public guarantor” that would provide limited catastrophic guarantee for the single-family and rental markets.

Unlike Fannie and Freddie, this new public guarantor would not buy or sell MBS, but would guarantee investors timely payments. Losses would first be suffered by borrowers (via home equity), private credit insurers (including the mortgage insurers), and what has been described as “the corporate resources of the issuers and servicers.” After those hits are taken, Uncle Sam would step in.

The report was funded by the MacArthur Foundation. The two former HUD secretaries that are co-chairs of the panel include Republican Mel Martinez and Democrat Henry Cisneros. There are four co-chairs in total, including former Sens. Chris Bond of Missouri and George Mitchell of Maine.

Some in the industry hope the report might spark a new debate on GSE reform, eventually leading to legislation. The panel estimates it could take up to 10 years to wind down Fannie and Freddie.
WASHINGTON (MNI) - The week ahead will provide another slew of housing indicators and policy recommendations, starting Monday when the Bipartisan Policy Center releases its recommendations for the future of housing policy at 10:30 a.m in Washington, D.C.

The commission is co-chaired by former Senate Majority Leader George Mitchell; former Senator and HUD Secretary Mel Martinez, former HUD Secretary and San Antonio Mayor Henry Cisneros, and former Senator and Missouri Governor Christopher Bond.

After unveiling the report - which will touch on the housing finance system, affordable rental housing and demographic changes - the group will take questions.

WASHINGTON (MNI) - Federal Housing Finance Agency Acting Director Edward DeMarco will be testifying before the House Financial Services Subcommittee at 10 a.m. ET, when he will expand on the strategic goals the agency has laid out for Fannie Mae and Freddie Mac, the future of housing finance and whether the housing market can function without a government backstop.

"I have been observing a developing 'consensus' among private market participants that the conforming conventional mortgage market cannot operate without the American taxpayer providing the ultimate credit guarantee for most of the market," DeMarco said in his prepared testimony.

"As I have noted, that clearly is one policy outcome, but I do not believe it is the only outcome that can give our country a strong housing finance system," DeMarco added, saying he believes the U.S. housing finance system is strong enough to survive without a government backstop.

In a simultaneous hearing, the Senate Banking Committee will hear testimony from the Co-Chair of the Bipartisan Policy Center's Housing Commission, who will outline for the committee the think tank's recent housing finance reform proposal. It includes a government guarantee of last resort, which provides a sort-of catastrophic insurance after private capital that is placed in the first loss position has dried up.

The Senate Committee will also hear from housing experts that represent both left-leaning and right-leaning think-tanks.

While the Bipartisan Committee proposal has been fairly well received and is similar to other proposals such as those the Treasury outlined in a white paper two years ago, DeMarco said that he would like to see a housing finance system with the government playing a very small role, or none at all.
"I believe it is possible to rebuild a secondary mortgage market that is deep, liquid, competitive, and operates without an ongoing reliance on taxpayers or, at least, a greatly reduced reliance on taxpayers, if that is what we set our minds to accomplishing," DeMarco wrote.

37. **Eliminate Fannie and Freddie, bipartisan report says**

By Ruth Mantell

*Market Watch*

*February 25, 2013*

The nation’s housing-finance system should be overhauled, increasing the private sector’s role and eventually eliminating government-sponsored mortgage buyers Fannie Mae **FNMA** and Freddie Mac **FMCC**, a bipartisan group recommended Monday.

Specifically, the Bipartisan Policy Center, a Washington-based think tank, said a government corporation should replace Fannie and Freddie, but its role would be limited to providing a “catastrophic” guarantee on certain mortgage-backed securities. That is, the government guarantee would come into play only after private entities exhausted their capital.

“The commission’s proposed model includes a continued, but limited, role for the federal government to guarantee MBS to ensure mortgage market liquidity and stability, with a large role for private capital to assume credit risk and shield taxpayers from exposure to credit losses,” according to the report. “Our new model…establishes a clear expectation that private firms suffer the consequences of poor business decisions by losing their capital, with no bailout for private shareholders or bondholders.”

In addition to eliminating Fannie and Freddie within several years, the report recommended narrowing the role of the Federal Housing Administration, a mortgage insurer, by reducing loan limits. With its relatively low down-payment requirements, the FHA helps first-time homeowners and lower- and moderate-income borrowers obtain credit. The agency also plays an important countercyclical role, continuing to provide financial support to the housing market during times of economic stress.

While the report acknowledged the government’s role in recovering from the crisis, there’s concern about the ongoing involvement. The government touches the lion’s share of mortgages through various programs — more than 90% are supported through Fannie Mae, Freddie Mac, Ginnie Mae, and the FHA, according to BPC.

“Greater federal intervention was necessary when the market collapsed, but the dominant position currently held by the government is unsustainable…Reducing the government footprint and encouraging greater participation by risk-bearing private capital will protect taxpayers while providing for a greater diversity of funding sources,” according to the BPC report. Read the report.

The report also said overly strict lending standards and uncertainty on new mortgage rules are hurting the housing market’s recovery, among other factors, and suggested that federal officials should develop a plan to ease credit.

The bipartisan group’s report follows a federal watchdog alarm earlier this month about the U.S. government’s role in housing finance. The U.S. Government Accountability Office included the government’s role in housing finance to its biennial list of “high risk” areas, citing FHA’s growth during the financial crisis, as well unfinished work on Fannie Mae and Freddie Mac. Read more about GAO report.
Despite the concern over the government’s role in housing finance, an overhaul in the next couple of years may be unlikely, wrote Jaret Seiberg, a policy analyst with financial services firm Guggenheim Securities, in a research note.

“There is not a consensus in Congress on how to proceed,” Seiberg wrote. “We do not expect efforts to reduce the government’s role in housing finance to gain traction as we are unsure if conservatives can even get such bills through the full House. Even if they could, the Democratically controlled Senate is a major roadblock to action.”

38. Bipartisan Policy Center Commission Calls for Overhaul of Federal Housing Finance
By Mike Sorohan
MBA NewsLink
February 26, 2013

A report yesterday from the Bipartisan Policy Center proposes scaling back the government role in the nation’s housing finance system and reforming housing assistance programs. The BPC Housing Commission, a group of former Cabinet secretaries, senators and other housing and economic analysts, issued the report, Housing America’s Future: New Directions for National Policy (http://bipartisanpolicy.org/library/report/housing-future). Among its recommendations, the report calls for a “far greater role” for the private sector; a continued but limited role for the federal government; elimination of Fannie Mae and Freddie Mac; and reform of the Federal Housing Administration to improve efficiency and avoid crowd-out of private capital.

“At this critical time in our nation’s history, we can no longer afford to defer bipartisan action on housing,” the report said. “We believe our report can serve as a framework for Congress and the administration to act in the best interests of all Americans. Profound demographic changes are transforming the country and our housing needs. The aging of the Baby Boomers, the formation of new households by millions of young Echo Boomers striking out on their own, and the increasing diversity of the American population will present new challenges and opportunities for housing providers and policy makers.”

The commission is co-chaired by former Senate Majority Leader George Mitchell, D-Maine; former Sen. Christopher "Kit" Bond, R-Mo.; former Senator and HUD Secretary Mel Martinez, R-Fla.; and former HUD Secretary Henry Cisneros. The commission includes 17 other individuals from diverse professional and political backgrounds.

Mortgage Bankers Association President and CEO David Stevens called the report “another important step forward” in the debate over the future of the government’s role in housing. “As the recovery in the housing market and the broader economy continues to gain momentum, it is critical that all stakeholders work together with policymakers to identify positive solutions that will support both owner-occupied and rental housing finance,” Stevens said. “There is widespread agreement that the government’s footprint in housing finance is currently too large. The Commission’s report rightfully highlights the need for a greater role for private capital in bearing credit risk, while also acknowledging the continued desire for a limited government function to ensure sufficient mortgage liquidity for qualified borrowers, particularly in times of market stress.”

The report calls for reforms that would establish a new performance-based system for delivering federal rental assistance, with greater devolution of responsibilities to state and local providers. The commission also proposes to shift existing resources to assist more
effectively the most vulnerable households and to preserve and expand the Low Income Housing Tax Credit program to increase the supply of affordable rental housing.

For first-time home buyers, the report emphasized the importance of housing counseling as a means of preparing for homeownership. The commission recommends proposals to enable seniors to “age in place” safely and affordably while integrating housing with health care and other programs. For the one-third of Americans who live in rural areas, the commission recommends continued support for homeownership and rental assistance in those communities.

Stevens said the Commission’s framework closely follows that of MBA and others who have called for a new secondary mortgage market structure where private capital is placed in the first-loss position, with a federal backstop of mortgage-backed securities paid for by the entities that issue or insure the MBS.

“It is important that any secondary market proposal both meet policy objectives, in terms of ensuring secondary market liquidity, and support vibrant, dynamic and competitive primary and secondary markets for the ultimate benefit of homeowners,” Stevens said. “The Commission also rightfully identifies a number of other issues facing lenders that are causing an overly tight credit environment that limits financing for qualified borrowers, including ‘put-back’ risk and uncertainty in regulatory mortgage rule-making.”

Stevens also noted MBA shares the Commission’s concerns about the importance of a sufficient supply of multifamily rental housing, particularly for low-income families and noted report “recognizes the important role of a robust rental housing market for the approximately 35 percent of Americans who do not own their own home.” MBA will provide further analysis of the report.

39. How to make sure housing doesn’t bring down the economy again
By Marlys Harris
MinnPost
February 26, 2013

On Monday morning, the Bipartisan Policy Center issued its recommendations to overhaul the nation’s housing finance system.

No, the presses did not stop for the news, but this is one think-tank to which we should pay some attention. Founded in 2007, by four former Senate majority leaders, Howard Baker, Tom Daschle, Bob Dole and George Mitchell, it gathers opinion and analysis from both sides of the aisle as well as from leaders of commerce, industry and the nonprofit sector to figure out solutions to our knottiest problems.

And so it was with housing. Leading the effort, which took 16 months, were former heads of the U.S. Department of Housing and Urban Development, Henry Cisneros (Clinton), Mel Martinez (Bush II) and two former senators, Kit Bond (R-Mo.) and George Mitchell (D-Maine). They were aided and abetted by folks from the National Council of Homebuilders, the National Council of La Raza, local housing authorities, the Consumer Federation of America, the Coalition to End Homelessness -- well, the list runs on and on. It is a consensus of notables on what should be done about a system that brought down the economy, sent families into financial ruin and devastated neighborhoods across the country. If you want to know what might be done about it all, this is the document to study. Not surprisingly with a bipartisan effort, the proposals embodied no bold departure from the past. The group still endorses homeownership over renting, the mortgage interest deduction
and the securitization of mortgages. And, in the spirit of our straitened times, it put a
premium on spending as little as possible and cutting back on government involvement.

Help for the poorest

The one exception was the group's approach to affordable, that is, low-income housing. As
MinnPost noted last year, an increasing percentage of renters here and across the country,
about 50 percent, pay way beyond 30 percent of their incomes for housing. (That's the
federal standard for affordability.) The federal government provides rental subsidies for
those whose incomes fall below 80 percent of an area's median income. If a family's rent is
50 percent of income, the federal government will provide 20 percent to keep the
household's rent affordable. However, only a quarter of the families qualifying for federal
subsidies actually receive them. Others sit on waiting lists for years or win a place in the
program through a lottery.

The commission's fix: retarget all new subsidies to the most vulnerable families, those
earning 30 percent or less of the area median income. (Ramsey County's median income,
FYI, is about $51,000.)

Such payment subsidies would allow families to choose housing on their own, possibly
moving to safer neighborhoods where schools are better. However, the program would not
mitigate the need for new affordable housing, especially for the burgeoning ranks of elderly
who won't be able to stay in their homes.

To create more of it, the commission proposes expanding the dollars allocated to the low-
income housing tax credit program by 50 percent. To pay for that, about $3 billion, and the
housing vouchers, another $22.5 billion, the commission recommends limiting the
extremely popular, don't- pry-it-from-my-cold-dead-hands home-mortgage interest
deduction (which costs the government $68 billion a year). How would that happen? The
commission was silent on the amount and the method, though presumably the government
could cap the amount of deductible interest at some nosebleed level that would apply only
to the owners of multiple mega-mansions.

To Chip Halbach, executive director of the Minnesota Housing Partnership, whose mission is
to assist communities in the creation and preservation of affordable housing, "providing
every one of those households with a voucher guaranteeing them housing would be
amazing" — tantamount to creating a right to decent housing for the poorest among us.
"Those households will still be in tough shape, but at least they'll have a roof over their
heads," he adds. In fact, people who earn from 30 percent to 80 percent of area median
income aren't in such great shape either, but the commission recommends only that they be
given short-term housing assistance in emergency situations, for example, a job loss or a
medical crisis. Otherwise, they're on their own.

Few ideas for the credit crunch

As things stand now, the government supports 90 percent of single-family mortgages. Via
quasi-public entities such as Fannie Mae and Freddie Mac, it purchases home loans from
lenders that originate them, package them as securities and then resell them to investors.
Doing that frees lenders' capital to make more loans. There is no explicit guarantee that if
homeowners failed to make payments, the government would step in. But when the housing
market went south six years ago, it did and both Fannie and Freddie's fell into insolvency.
Having taxpayers on the hook is "unsustainable," says the report. "Reducing the
government footprint and encouraging greater participation by risk-bearing private capital
will protect taxpayers while providing for a greater diversity of funding sources." That's a roundabout way of saying that banks and other lenders, mortgage insurers and private mortgage securitizers should get back in the market.

Private capital's inability -- and more recently, unwillingness -- to participate is supposedly what is making mortgages hard to come by. But what would lure them back in? When queried about this, Henry Cisneros went vague. "It's our belief that they will," he said. "Credit is tighter than it needs to be," admits Barry Zigas, director of housing policy at the Consumer Federation of America and a member of the commission. Part of the problem is a reaction to the collapse of the housing bubble. Lenders are overcompensating for their previously lax lending policies. Only the passage of time will make that reluctance to lend disappear.

Uncertainty has been another factor. Private companies did not want to securitize mortgages because federal law now requires the loans to be sustainable -- meaning that banks must only issue mortgages that borrowers have a prayer of repaying. You'd think such a premise would go without saying, but, adds Zigas, "Lenders said there was a lack of clarity." That has changed. As the commission's report was finalized, the Consumer Financial Protection Bureau promulgated lending regulations. Banks may not like the rules, but they are now clear.

Finally, the commission would make the market safer for investors by creating a so-called Public Guarantor to replace Fannie and Freddie. Its funds would be made up of collections from the lending industry, and it would repay investors if any homeowners, lenders, insurers and everybody else involved failed to cough up their payments.

Whether the commission's recommendations would actually change much is open to question. Keith Gumbinger, vice president of HSH, the largest publisher of mortgage information, says that many of the problems the think-tank is trying to fix are now behind us.

Getting a mortgage, for example, is no longer impossible. "The days are gone when you could breathe on an application and get it approved," he says. "But the vast majority of humans with decent credit can qualify."

As for Fannie and Freddie, they are returning to solvency. In the last quarter of 2012, Fannie Mae brought in a net income of $1.8 billion. Gumbinger didn't see a need to scrap the agencies. In fact, he adds, "They were what kept the housing market going for the last five years."

"It seems as though the commission is trying to solve yesterday's problems," he adds. "They should be looking at future problems, but, of course, nobody knows what those will be."

**40. Bipartisan Group Calls for 'Public Guarantor' to Replace GSEs**

By Ian McKendry

MNI News

February 25, 2013

WASHINGTON (MNI) - The Bipartisan Policy Center Monday released a thorough recommendation for U.S. housing finance reform which would encourage private capital to
enter the market while still ensuring the flow of credit and providing a government backstop of last resort.

"Hopefully in the spirit of this center it will strike a cord with Democrats, Republicans, left and right as a way to rebuild the housing system," said Henry Cisneros, who helped come up with the recommendation and is former Secretary of the Housing and Urban Development.

"It is not going to be a radical dramatic change" Cisneros added, saying that their plan would be gradually implemented in 5-10 years with the gradual wind down of Fannie Mae and Freddie Mac by increasing guarantee fees and reducing loan limits to pre-crisis levels.

The Bipartisan Center's recommendation called for replacing the GSEs with a "Public Guarantor" similar to Ginnie Mae which would provide an explicit guarantee in the event of catastrophic losses and would be funded by guarantee fees not unlike one of the three options that the Treasury Department laid out two years ago. Private firms would not receive any benefit of a government guarantee and would be "fully at risk of their own finances." The Guarantor would not buy, sell or issue mortgage-backed securities.

However, the government Guarantor in the Bipartisan Housing Commission recommendation would also serve as a regulator and hold other responsibilities such as qualifying who could act as issuers, servicers and private credit enhancers and making sure that those financial institutions were well capitalized and had sound business practices.

An analysis conducted by Andrew Davidson & Co. for the Bipartisan Center estimated that guarantee fees paid by borrowers without mortgage insurance would be between 59-81 basis points which includes credit charges for the private sector to cover possible losses as well as a fee set aside for the government catastrophic insurance and its operating costs.

Frank Keating, who is president of the American Bankers Association and also worked on the project, said "I think we have walked that middle ground very effectively encouraging the reintroduction of the private market in this process."

The recommendation also included a number of policy recommendations to address affordable and rental housing initiatives, including the ability of the Public Guarantor to directly underwrite multifamily loans and establish affordability thresholds for the development of rental properties for low- to moderate-income families.

The Bipartisan Center Housing Commission is made up of 21 members and is co-chaired by former U.S. Senators and Cisneros.

In response to the release of the recommendation, Senator Bob Corker, R-Tennessee, who is a member of the Senate Banking, Housing and Urban Affairs Committee said, "I look forward to reviewing the report in more detail, but it appears to be headed in the right direction by putting substantial private capital in front of the government and resolving the legal limbo of the GSEs."

"I thank them for their contribution to the conversation, and I hope we get serious and long-term reform this year," Corker added.

41. **Bi-Partisan Commission Issues Suggestions for Housing Reforms**
    By Jann Swanson
    Mortgage News Daily
    February 25, 2013
A bi-partisan group of former senators, Cabinet secretaries, and other housing and economic experts have released what is termed a new proposal for a housing finance system. The report called Housing America's Future: New Directions for National Policy was produced by the Bipartisan Policy Center's Housing Commission under a grant from the MacArthur Foundation. It asks for a review of federal housing policy calling the current system outdated and not equipped to keep pace with today's demands and the challenges of the imminent future. Here is a partial summary of the Commission's recommendations.

The nation needs a responsible, sustainable approach to homeownership that will help ensure that all creditworthy households have access to homeownership and its considerable benefits. It also needs a reformed system of housing finance with the private sector playing a far more prominent role in bearing credit risk while promoting greater diversity in mortgage funding sources.

Federal policy should strike an appropriate balance between homeownership and rental subsidies. This rebalancing would include winding down and ultimate elimination of the GSEs and a more targeted FHA restored to its traditional mission of primarily serving first-time homebuyers.

The GSEs would be replaced by an independent government-owned corporation providing a limited catastrophic guarantee on qualified mortgage-backed securities (MBS); a reaffirmed commitment to providing a decent home for every American family; and a focus on providing help to those most in need.

Renters account for 35 percent of the U.S. population and their numbers are likely to grow significantly over the coming decade. Pressure on the market may push rents further out of reach for low income households creating greater hardships for cost burdened renters.

The plan calls for reforms that would establish a new performance-based system for delivering federal rental assistance with greater devolution of responsibilities to state and local providers. The commission also proposes to shift existing resources to assist more effectively the most vulnerable households, and to preserve and expand the Low Income Housing Tax Credit program to increase the supply of affordable rental housing.

The commission supports current approaches to the administration of housing support in rural areas delivered through USDA and suggests there be modest incremental funding for the Section 502 Direct Loan.

Finally the Commission said the country must address the overwhelming numbers of seniors who wish to "age in place" in their own homes and communities. It recommends better coordination of federal programs that deliver housing and health care services to seniors including expansion of the Department of Energy's Weatherization Assistance Program to include home assessments and modifications for aging in place. Better guidance should be given to help seniors understand reverse mortgages and a White House conference could bring together key public and private players to draw national attention to the issue of senior housing and to catalyze development of a coordinated approach to aging in place.

The Housing Commission is co-chaired by former Senate Majority Leader George J. Mitchell, former Senator Christopher S. "Kit" Bond, former Senator and HUD Secretary Mel Martinez, and former HUD Secretary Henry Cisneros, and includes 17 other individuals from diverse professional and political backgrounds.
"At this critical time in our nation's history, we can no longer afford to defer bipartisan action on housing," said the co-chairs in an op-ed in POLITICO today. "We believe our report can serve as a framework for Congress and the administration to act in the best interests of all Americans."

"Six years after the collapse of the housing market, the problems in housing remain as severe as ever and solutions continue to be elusive," says the op-ed. "We hope [our report] will serve as a catalyst for action."

42. Bipartisan Policy Center Releases Housing Finance Reform Plan
Mortgage Orb
February 25, 2013

The Bipartisan Policy Center, a Washington, D.C.-based think tank that promotes bipartisan political solutions, has released a new plan that calls for the scaling back of the government's role in the housing finance system and reforming housing assistance programs.

In the report, entitled "Housing America's Future: New Directions for National Policy," the center's 21-member housing commission proposes a new housing finance system that calls for an expanded role for the private sector, a continued but limited role for the federal government, the elimination of Fannie Mae and Freddie Mac, and reform of the Federal Housing Administration to improve efficiency and avoid crowd-out of private capital.

Specifically, the plan calls for reforms that would establish a new performance-based system for delivering federal rental assistance with greater devolution of responsibilities to state and local providers. The commission also proposes to shift existing resources to more effectively assist the most vulnerable households, and to preserve and expand the Low-Income Housing Tax Credit program to increase the supply of affordable rental housing.

For first-time home buyers, the report emphasizes the importance of housing counseling as a means of preparing for homeownership. The commission recommends proposals to enable seniors to "age in place" safely and affordably while integrating housing with health care and other programs. For the one-third of Americans who live in rural areas, the commission recommends continued support for homeownership and rental assistance in those communities.

In an op-ed column published on the Politico website, the commission's four co-chairmen - former Senate Majority Leader George J. Mitchell, former Senator Christopher S. "Kit" Bond, former Senator and Housing and Urban Development (HUD) Secretary Mel Martinez, and former HUD Secretary Henry Cisneros - noted that the federal government has yet to propose a serious strategy to reform the housing finance system.

"Six years after the collapse of the housing market, the problems in housing remain as severe as ever and solutions continue to be elusive," says the op-ed. "We hope [our report] will serve as a catalyst for action."

The report is now online.

43. Bipartisan group urges new housing policy for U.S.
MPR News
The Daily Circuit
March 19, 2013
When the housing bubble burst in 2007, it did lasting damage to the U.S. economy. Now the housing market appears to be recovering — but did policymakers learn anything in the last crisis that can help us avoid the next one? Amid the hopeful signs comes this disturbing one: More than four mortgages in five are still backed by the U.S. government.

A new report calls for a major overhaul of the housing finance system, and it recommends changes that would affect renters as well as homeowners. Renters in the Twin Cities might say it’s about time, because rents in our region remain out of reach for many. But how much can government do to address that problem?

44. **Ex-HUD heads: Fannie & Freddie have to go**  
 **By David Murphy**  
 **MSNBC - The Daily Rundown**  
 **February 25, 2013**

*Watch the video here.*

Bye bye Fannie and Freddie? We need “a whole series of banks, community banks and credit unions playing key roles and the government staying way back,” said Henry Cisneros, former HUD Secretary under President Clinton Monday.

Along with former HUD Secretary and ex-Republican Florida Senator, Mel Martinez, the two men told The Daily Rundown’s Chuck Todd that the government-backed mortgage giants need to be eliminated so that the private sector can take a leading role in the housing market once again.

It’s the subject of a new report from Cisneros and Martinez, who are co-chairing the Bipartisan Policy Center’s Housing Commission. The two agencies, which fell under Treasury control in 2008, currently back nearly 70% of all private mortgages in the U.S, a position the Center’s Housing Commission says is “unsustainable.”
“We need to move to a new system,” says Martinez. “And do it in a way that ensures that government comes in the last place.” Over the next five to ten years, the two men say the plan is to limit the government role by limiting how much Fannie and Freddie can lend.
The Bipartisan Policy Center (BPC) released a report Monday calling for the eventual elimination of government-sponsored enterprises (GSEs) Fannie Mae and Freddie Mac.

The report, "Housing America's Future: New Directions for National Policy," proposes a reformed housing finance system with a greater influence from the private sector and a limited government role.

In fact, the BPC Housing Commission proposes eliminating the GSEs over time, deeming the GSE business model, private companies directly regulated by the government, as a failure.

During the time which Freddie Mac and Fannie Mae are phased out, the Federal Housing Finance Agency should work to reduce the size of the GSE portfolios, the report suggests.

The report calls for the creation of an independent government corporation, referred to as a "public guarantor," which would not buy or sell mortgages, but would guarantee investors payment of principal and interest on securities.

The commission also suggests the creation of a more sustainable approach to making homeownership a reality for creditworthy households; pushing the private sector to take more responsibility in bearing credit risk; a more focused approach in providing rental assistance to those who need it most; and a greater focus on how to serve the nation's growing senior citizen population.

Former Department of Housing and Urban Development (HUD) Secretary Henry Cisneros served as a co-chair of the commission and led the presentation of the report at the Newseum in Washington, D.C., Monday morning.

Cisneros said the two most urgent issues are restructuring the housing finance system and rebalancing government spending to help focus on vulnerable households.

He said as he and the commission members were putting together the report, he was able to visit California and attend a hearing at a local public housing authority, as well as visit many low-income housing communities in San Antonio.

"I saw the effects of high prices on rentals for folks," he said. "Situations like those are what really drives it home in a persuasive way, for me to see that there's a need for affordable housing."

George Mitchell, a former senator and co-founder of the BPC, was also a co-chair and said only about one in four renter households eligible for assistance actually receive it. Many of those in need are forced to apply for long waiting lists or enter into lotteries for the scarce affordable rentals.

"Problems in housing remain severe and urgent," he said.

According to the report, about 80 percent of the lowest-income households in the country spend about 30 percent of their income on rent.
“There are far more extremely low-income renters than available units they can afford,” the report states.

Mitchell called on the government to create more help for those involved in the current “rental crisis.”

Boomers Loom

The commission also looked at the nation’s changing demographics and how the ever-diversifying population will change the game of affordable housing.

The number of Americans age 65 and older will rise to more than 90 million in 2060 compared with about 40 million in 2010, Cisneros noted in the presentation. As the baby boomer generation ages, the echo boomers, people born between 1981 and 1995, are driving the present rental market, according to the report. However, by 2020, the commission estimates many echo boomers will be ready to buy homes.

The commission suggests the nation will need to increase the supply of affordable homes and should expand the low-income housing tax credit and create additional federal funding to address housing quality.

Other co-chairs included Mel Martinez, former HUD secretary and senator, and Christopher “Kit” Bond, former governor of Missouri and senator.

The entire report is available online at: http://bipartisanpolicy.org/library/report/housing-future.

46. Bipartisan Panel Wants Better Coordination of Mortgage Regs
   By Brian Collins
   National Mortgage News
   February 26, 2013

While the Bipartisan Housing Commission produced a long-range plan for reshaping the housing finance system, it also called attention to more immediate issues that need to be addressed by regulators.

These issues involve loan repurchase risk, FHA compare ratios, appraisals and the tidal wave of regulations mortgage lenders are facing.

The commission indicates that the Federal Housing Finance Agency’s effort to clarify lenders’ repurchase exposure on GSE loans did not go far enough. “While this guidance is an important start, and provides partial relief, several factors limit its effectiveness in stimulating new lending,” the commission says.

The bipartisan commission, co-chaired by former Sens. Christopher Bond and George Mitchell and former HUD secretaries Henry Cisneros and Mel Martinez, released its report on Feb. 25.

The BHC members also raised concerns about the use of distressed sales in valuing traditional home sales. “To remedy this situation, Fannie Mae, Freddie Mac and FHA could refuse to accept distressed sales as valid comps.”

The commission also takes issue with the Federal Housing Administration comparing lender performance based on early delinquency rates. “While compare ratios serve as a useful
analytic tool, the current application of the ratios may have the effect of tightening credit by FHA lenders to creditworthy borrowers.”

Meanwhile, several important rulemakings have been finalized in the past few months and more rules are pending. “Lenders report that uncertainty as to their impact has led them to exercise caution and pull back on new originations for all but the lowest-risk borrowers.”

To address this uncertainty, the commission is urging the president to direct the Treasury Department to assess the rulemaking’s impact on affordability and access to mortgage credit. And put together a plan to align the regulations to “help get credit flowing again,” the BHC report says.

“A top official within the Treasury Department or in the White House should be tasked with day-to-day responsibility for coordinating the implementation of this plan.”

47. **Commission Calls for Gradual Reduction in Federal Loan Limits**
   By Brian Collins
   National Mortgage News
   February 25, 2013

Loan limits on Fannie Mae, Freddie Mac, FHA and VA loans should be gradually reduced to encourage the private sector to play a larger role in the housing finance system, according to a Bipartisan Housing Commission.

A gradual reduction in the maximum loan limits should “serve as the primary policy dial to assist in this transition” to where private capital has the dominant share of the mortgage market, according to a report the BHC released Monday morning.

The private commission, co-chaired by former Sens. Christopher Bond and George Mitchell and former HUD secretaries Henry Cisneros and Mel Martinez, noted that Congress and the executive branch will determine the loan limits.

But looking at historical loan limits before the housing crash, the commission notes that loan limits might be in the range of $150,000 to $175,000 for FHA, VA and Rural Housing loans.

The commission also encourages the GSE regulator to continue to ratchet up guarantee fees on Fannie and Freddie loans to reduce their market share.

The BHC report calls for the creation of a wholly owned government corporation that will provide guarantees for MBS that are currently guaranteed by Fannie and Freddie. This new “Public Guarantor” would be similar to the Ginnie Mae model and it would assume the secondary market role of the GSEs.

“After Congress has adopted a new model, an extended period of time (five to ten years) will be needed to unwind the single-family operations of Fannie Mae and Freddie Mac in an orderly fashion and rebalance capital flows as the private sector steps in and the government footprint becomes smaller,” the BHC report says.
Can the American mortgage market ever function again without Uncle Sam guaranteeing that lenders will be repaid?

It is amazing just how few people think it can.

“For the foreseeable future, there is simply not enough capacity on the balance sheets of U.S. banks to allow a reliance on depository institutions as the sole source of liquidity for the mortgage market,” stated a report on the American housing market this week, issued by a group that was filled with members of the housing establishment.

The panel, which included Frank Keating, the president of the American Bankers Association and a former governor of Oklahoma, does not see that as an indictment of the American banking system, which would much rather trade leveraged derivatives than keep a lot of mortgage loans on its books.

“Given the size of the market and capital constraints on lenders, the secondary market for mortgage-backed securities must continue to play a critical role in providing mortgage liquidity,” added the report, issued by a housing commission formed by the Bipartisan Policy Center, a group that was begun by former Senate majority leaders from both parties. The group thinks investors will not be willing to finance enough mortgages — particularly 30-year fixed-rate loans — without a government guarantee.

The report does an excellent job of analyzing the history of the American housing finance system, as well as looking at the government’s efforts over the years to promote and subsidize rental housing. It calls for changes in those policies as well, aimed at assuring that those with very low incomes “are assured access to housing assistance if they need it.”

But those rental proposals are unlikely to lead to legislation any time soon, said Mel Martinez, one of four co-chairmen of the housing panel. Mr. Martinez, a former Republican senator from Florida and housing secretary under President George W. Bush, said in an interview that any proposal calling for spending government money, as this one does, would face tough sledding in Congress.

But he said it was possible that changes in the housing finance system, which is widely criticized on both sides of the aisle, had a better chance of getting approval.

Certainly, one principle enunciated by the panel will get wide support: “The private sector must play a far greater role in bearing housing risk.” But the details show that the panel still thinks sufficient money can be found for housing only if Uncle Sam remains the ultimate guarantor for most home mortgages.

Currently, the government backs about 90 percent of newly issued mortgages, more than ever before. The proportion fell in the years leading up to 2007 as subprime loans proliferated and then soared after that market collapsed.

Since then, the Federal Housing Administration has expanded its role in backing home loans on the low end of the scale. But most mortgages are purchased by either Fannie Mae or
Freddie Mac, the government-sponsored enterprises that the government took over after the housing bubble burst.

So-called jumbo mortgages, that is, mortgages too large to qualify for purchase by Fannie or Freddie, account for most of the rest. Some mortgages are put into securitizations that have no government guarantee, but many jumbo mortgages end up being owned by the banks for the long term.

The F.H.A. appears to be more cautious than it used to be. The report notes that last year the average FICO score for an F.H.A. or Department of Veterans Affairs loan was close to 720 on a range of 300 to 850. That is about what the average Fannie Mae and Freddie Mac borrower had in 2001.

The commission, whose other co-chairmen were George J. Mitchell, the former Senate Democratic leader; Christopher S. Bond, a former Republican senator; and Henry Cisneros, who served as housing secretary under President Bill Clinton, wants to preserve the F.H.A., but orient it more to those who need the most help. It would phase out Fannie and Freddie — something that is politically necessary — but replace them with something that sounds sort of similar.

The new organization would be called a “public guarantor.” It would guarantee that investors in mortgage-backed securitizations would not lose money, much as Fannie and Freddie now do. But its responsibility would come after that of a “private credit enhancer,” which sounds like a monoline insurer that would make payments to securitization holders if the underlying mortgages were performing badly. That organization would be regulated by the public guarantor, and only after it goes broke — something that should happen only if housing prices fall more than they did in the recent crisis — would the public guarantor be responsible for making investors whole.

The public guarantor would only guarantee mortgage securitizations, not issue them as Fannie and Freddie do. But it would regulate the issuance. It would collect a guarantee fee, as would the “private credit enhancer,” which the commission says would raise the cost of mortgages to some extent.

In addition, the commission foresees lowering the maximum loan size that the government will guarantee, thus pushing more loans into the genuinely private market. Mr. Martinez said he thought that eventually the F.H.A. would be guaranteeing 10 to 15 percent of new mortgages, and the public guarantor would back another 35 to 45 percent, leaving 40 to 50 percent to be financed exclusively by private capital without any government guarantee.

Back in the 1980s, Mr. Martinez said, something like 75 percent of all loans were made by banks that held on to them. Why can’t we go back to something like that?

There seem to be two reasons. The first is that bank regulators would have to push the banks hard to devote capital in that way. As it happens, the politicians who most dislike government involvement in the mortgage market also don’t like regulation.

The second reason is that banks learned some lessons in the 1980s. When that decade began, there was a group of banks, called thrifts, whose primary purpose was to make long-term, fixed-rate mortgage loans. Such loans left the lender with a lot of interest rate risk. That is because a 30-year mortgage can be repaid at any time. If rates go down, homeowners will refinance. If rates go up, they will not.
When the Federal Reserve Board under Paul Volcker pushed interest rates to high levels that bankers had never thought possible, a lot of banks were left with assets — mortgage loans — paying lower rates of interest than the banks had to pay for deposits. That was a recipe for going broke, and many did. Congress then made it worse by saying the banks could invest in higher-risk assets, while engaging in accounting tricks to mask the fact they were insolvent. The result was that more banks went under, and by the end of the cycle there was no longer a group of banks dedicated to home loans.

Mortgage securitizations found ways to slice up the cash flows from a group of mortgages in ways that persuaded private investors to shoulder the interest rate risk. But the commission says there is not enough private capital willing to take on both the interest rate risk and the credit risk of homeowners defaulting. Hence the public guarantor.

Could Congress get the government out of financing homes for normal, creditworthy borrowers? The answer is that to do so the country would probably have to move away from 30-year fixed-rate mortgages, going instead to adjustable-rate mortgages that would leave homeowners facing higher monthly bills when rates rose.

In the end, we can have a government-dominated mortgage system, with the risks inherent in that — risks that we saw in the need to bail out Fannie and Freddie. Or we can abandon the 30-year fixed-rate mortgage, leaving homeowners at risk when rates rise, as they are in much of the world. But it is hard to see how we can have it both ways.

49. Mortgages’ Future Looks Too Much Like the Past
By Gretchen Morgenson
The New York Times
March 23, 2013

IN a perfect world, policy makers, legislators and concerned Americans would have spent the last few years conducting an honest dialogue about two important issues: how to resolve Fannie Mae and Freddie Mac, the government-owned mortgage finance giants, and how to create a housing finance system that would serve borrowers without imperiling taxpayers.

But ours is an imperfect world, and discussions about these questions have taken place mostly behind closed doors in Washington. The rest of us Americans, who guarantee the mortgage market, have not been given much of a say.

This is a pity because the future of housing finance in this country seems to be coming down to two taxpayer-backed concepts. One is the status quo, with Fannie Mae and Freddie Mac continuing to back the vast majority of mortgages. The other is a newly conceived public guarantor with some of the same problems that got Fannie and Freddie into trouble.

Let’s begin with the status quo. The taxpayer rescue of Fannie and Freddie in September 2008 has cost $137 billion so far. While this has been paid down from an initial $187.5 billion, taxpayers aren’t likely to get their money back anytime soon. Last fall, the regulator charged with overseeing Fannie and Freddie estimated that the taxpayer bill for the companies could be $200 billion by the end of 2015.

Still, Washington has shown little interest in winding down Fannie and Freddie. The ostensible reason is that there would be no mortgage market without them; private lenders are still unwilling to make home loans that they want to hold as investments, so Fannie and Freddie still have to buy or guarantee them.
But doing nothing also serves other interests. Since 2011, any increase in the guarantee fees the companies receive when backing a mortgage goes to the Treasury, not to repay taxpayers. The companies, therefore, have become a government piggy bank.

There is another group that would prefer Fannie and Freddie to remain as is: the former executives who still receive benefits from the companies and the taxpayers who own them.

According to documents reviewed by The New York Times, $25.3 million in pension payments went to 1,785 former Fannie executives last year; an additional $12.7 million went to 871 former Freddie officials.

Had the companies not been rescued and instead filed for bankruptcy, the former executives’ pensions would be the obligation of the Pension Benefit Guaranty Corporation, financed by corporations whose plans it backs. Instead, taxpayers have been on the hook for five years.

Among the retirees receiving pensions courtesy of the taxpayer are Franklin D. Raines, Fannie Mae’s former chief executive; J. Timothy Howard, the company’s former chief financial officer; and Leland C. Brendsel, former chief executive of Freddie Mac.

All three men were ousted from their companies amid accounting scandals — Freddie’s in 2003 and Fannie’s a year later. All were paid handsomely through their tenures. Between 1998 and 2004, for example, Mr. Raines received $90 million in compensation, regulators found. Mr. Howard received $30 million over the period. When Mr. Brendsel left Freddie Mac, he was earning $1.2 million a year in salary.

Even so, Mr. Raines receives a pension of $2,639 from taxpayers each month, the documents show; Mr. Howard receives $4,395 and Mr. Brendsel $8,039. Requests for comment from the former executives’ lawyers were not returned.

The documents show that taxpayers spent $11 million last year on medical costs for 1,392 Fannie and Freddie retirees. And from September 2008 through 2012, taxpayers also spent $114 million for legal bills racked up by former executives and directors testifying in lawsuits relating to the accounting scandals or financial crisis inquiries.

These payments are governed by contracts struck before Fannie and Freddie fell, so there is little that anyone can do to revoke them. But Representative Randy Neugebauer, a Texas Republican on the House Financial Services Committee, said they made him “nail-biting mad.” He added: “Taxpayers have put all this money into these entities. The attorneys have gotten a lot richer and the executives that led these organizations before their demise are still getting big paychecks. It’s very frustrating.”

LET’S move on to the second option for housing finance that’s gaining traction. It is outlined in “Housing America’s Future: New Directions for National Policy,” a report published last month by the Housing Commission of the Bipartisan Policy Center.

While the authors of the report contend that it was intended to set a new direction for federal housing policy, its reliance on a government backstop is awfully familiar.

The report calls for replacing Fannie and Freddie with a public utility to guarantee a vast number of home mortgages against default. The loan size to be covered is unspecified, but the commission suggests that it should be less than the current Fannie and Freddie loan limit of $417,000 in most markets.
Under the plan, the taxpayer-backed insurance would kick in only after private-sector participants had taken losses. For example, private mortgage insurers would have to hold enough capital to back loans even if home prices declined by 35 percent. And the guarantor’s insurance fund would be made up of premiums collected from borrowers.

These details differ from the broken system that the commission aims to replace, but there are many similarities.

For example, the plan requires the government to be sophisticated at pricing the risk in the mortgages it will back. If it isn’t, the premiums it receives will be insufficient to pay future loss claims.

This sophistication is not a given. Neither Fannie nor Freddie has been adept at setting an appropriate price for their guarantees — that’s why they’re choking on more than $100 billion in losses. Why would a new public guarantor do the job any better?

The report also fails to address who will monitor the guarantor for fraud. That is a concern to Steve A. Linick, the inspector general at the Federal Housing Finance Agency, the conservator for Fannie and Freddie.

“Under the proposal, the significant role now played by Fannie and Freddie would be diffused through multiple private-sector entities,” Mr. Linick said in an interview. “While this might make risk less concentrated, the challenge of managing risks across a number of parties will have to be addressed.”

That the commission recommends a taxpayer-backed solution isn’t surprising, given its makeup. Six of its 22 members and consultants either hail from Fannie or Freddie or work at institutions that received major financing from the companies before they collapsed.

Asked about that composition, a commission spokeswoman said that the diverse group of experts “were not selected solely on the basis of past affiliations.”

Still, the Fannie and Freddie DNA in the commission raises questions about whether it seriously considered any outcome that excluded a government backstop. I asked Nicolas P. Retsinas, a member of the commission who is a senior lecturer at the Harvard Business School, about the risk to taxpayers. A fair concern, Mr. Retsinas said, adding: “The commission believes in the continued importance of homeownership and there had to be some role for the government to preserve that option for middle-income families.”

Wealthy families will also benefit from the guarantor. And the taxpayer, under both the commission’s plan and the status quo will be left with a more significant role than many may have in mind.

A version of this article appeared in print on March 24, 2013, on page BU1 of the New York edition with the headline: Mortgages’ Future Looks Too Much Like the Past.

50. US Has ‘Effectively Nationalized’ Home Mortgage Industry
By Glenn J. Kalinoski
Newsmax
March 14, 2013
The home mortgage sector in the world’s largest economy has been “effectively nationalized,” says George Melloan, former deputy editor of the editorial page for The Wall Street Journal.

Government agencies — primarily Fannie Mae and Freddie Mac, but also the Federal Housing Administration — insured or purchased more than 90 percent of home mortgages originated in 2012, a $1.3 trillion business, compared with 30 percent in 2006, according to ProPublica data.


“When President [Bill] Clinton forced the banks to begin their subprime mortgage binge in the 1990s, he called it ‘affordable housing’ for people with limited means, a politically appealing idea,” Melloan wrote in an opinion article for The Journal.

“But the real muscle came from well-heeled lobbies — the builders, real estate agents, bankers and construction-worker unions.”

Fannie and Freddie reported earnings last year after costing taxpayers more than $180 billion over the previous three years. But the turnaround is “not entirely” good news, he noted.

“[It] makes it more likely that their present limbo status as effectively nationalized banks — originally intended as temporary — will be prolonged,” Melloan explained.

“There are still lots of private banks and mortgage companies generating and servicing mortgages, so the government doesn’t ‘own’ the whole industry. But the government (or the lucky half of the population who pay income taxes) now owns most of the risks,” he added.

“The moral is that government backing — implicit during the heyday of Fannie and Freddie and explicit today — leads to sloppy banking and ultimately to defaults,” Melloan wrote in The Journal. “Taxpayers, with little knowledge of the commitments made on their behalf, become responsible for the losses.”

In addition, student loans, which were taken over by the government in 2010, represent “another trillion dollar business,” with delinquencies “rising rapidly.”

“Some observers ask whether these will cause America’s next ‘subprime’ crisis,” he noted.

Melloan added that taxpayers are also “on the hook for failed banks” because of the exposure provided by the Financial Stability Oversight Council, which was created in 2010 by the Dodd-Frank Act.

“This council is commissioned to ‘resolve’ the nation’s ‘too-big-to-fail’ banks when they fail, most likely with taxpayer money if the 2008 precedent is any guide,” wrote Melloan.

“Thanks to developments over the last four years, the government is now insuring a large chunk of America’s nearly $16 trillion economy — while being essentially bankrupt, having run budget deficits exceeding $1 trillion for the last four years,” he wrote. “The future insurance and entitlement obligations are, of course, off the books.”
Last month, the Bipartisan Policy Center, a Washington-based think tank, called for scaling back the government role in the nation’s housing finance system and reforming housing assistance programs to better meet the needs of America’s most vulnerable households.

The Center proposed a new housing finance system that calls for a far greater role for the private sector, a continued but limited role for the federal government, the elimination of Fannie and Freddie and reform of the Federal Housing Administration to improve efficiency and avoid crowd-out of private capital.

Those firms and private insurers would bear the risks of default, except in extreme cases when they are unable to absorb further losses, in which case a “public guarantor” funded by premium payments would provide a backstop.

51. **Anthony Randazzo: Housing rebounds, system still unfixed**  
   By Anthony Randazzo  
   Orange County Register  
   March 5, 2013

The median price for an Orange County home this January was $460,000, according to DataQuick. That's up from $370,000 in January 2009, and many people are feeling increasingly optimistic about the housing comeback. As the housing market resurges, we should note that the underlying problems that helped cause the housing bubble remain largely unfixed, and that this recovery could be built on a foundation of sand.

Fannie Mae and Freddie Mac, for example, are still risking taxpayers' money by providing subsidies to mortgage investors, laying the groundwork for a new housing bubble. Since being bailed out in 2008, Fannie Mae and Freddie Mac have been propped up by $187 billion in taxpayer money. Together with the Federal Housing Administration, the government enterprises have continued offering subsidized insurance to mortgage investors and are now guaranteeing payment on nine of every 10 mortgages.

Policymakers know eliminating Fannie and Freddie would go a long way in preventing another housing bust, and a new report by a commission of several former government housing officials, including two former secretaries of Housing and Urban Development, Mel Martinez and Henry Cisneros, and former Sen. George Mitchell calls for phasing them out over five to 10 years.

The Bipartisan Policy Center's commission proposed reducing the size of loans that Fannie and Freddie can purchase from private lenders until they can't buy anything at all. This would mean no more transferring of mortgage default risk from investors to the taxpayers. This approach is a compromise between keeping Fannie and Freddie propped up in perpetuity and shutting them down tomorrow. It allows the market time to adjust as the mortgage giants are phased out.

The commission's plan has a major flaw. It proposes replacing Fannie and Freddie with a "Public Guarantor." This new government entity would not buy mortgages, but it would still offer catastrophic insurance to mortgage investors against another meltdown, meaning taxpayers would still back mortgage investors and could wind up on the hook again. This amounts to crony capitalism. Want to put your own money in the stock market? Invest at your own risk. Want to buy mortgage-backed securities? Uncle Sam will guarantee you get a return on your investment.
In fairness, the public guarantor system would probably be less distortionary and less crony than the status quo. However, the commission's conviction that the government should promote homeownership is the same attitude that helped create the housing bubble. The government needs to rid itself of the belief that everyone should own a home. From federal tax breaks to state and local programs designed to encourage homeownership, government at every turn urges people to buy homes.

Homeownership is not for everyone. In many parts of Southern California, for example, it is cheaper to rent than buy. Renting also offers greater flexibility and mobility. Orange County's rising home prices may appear to be a welcome sight for the economy. But with taxpayers, via Fannie Mae and Freddie Mac, guaranteeing that nearly every mortgage will be paid, there is still significant risk of another housing crisis for everyone—except for the banks and investors who know a bailout is waiting.

Anthony Randazzo is director of economic research at Reason Foundation.

52. A plan to fix housing

By George Mitchell, Kit Bond, Mel Martinez and Henry Cisneros

POLITICO

February 25, 2013

Six years after the collapse of the housing market, the problems in housing remain as severe as ever, and solutions continue to be elusive.

Excessively strict underwriting standards, caused in part by uncertainty about the regulatory “rules of the road” for lenders, are blocking the path to homeownership for many creditworthy households and delaying a robust housing recovery. More than four years after Fannie Mae and Freddie Mac were placed into conservatorship, our nation still lacks a clear vision for the future of housing finance, and the government holds a dominant—and unsustainable—position in the housing market, supporting more than 90 percent of single-family mortgages and roughly 65 percent of mortgages for rental properties.

With rental demand increasing and rents rising, many low-income households are forced to spend less on health care, nutritious food and other essentials in order to cover their housing expenses. Our nation’s most vulnerable households are squeezed even further as the supply of affordable rental homes and availability of federal rental assistance fall far short of demand.

These problems persist as profound demographic changes are transforming the country and our housing needs. The aging of the baby boomers, the formation of new households by millions of young echo boomers striking out on their own and the increasing diversity of the American population will present new challenges and opportunities for housing providers and policymakers.

We are privileged to serve as co-chairmen of the Bipartisan Policy Center’s Housing Commission, a group of 21 Americans from diverse political and professional backgrounds who have spent the past 16 months examining these key issues in housing and seeking practical solutions. Today, we are releasing “Housing America’s Future: New Directions for National Policy”—a report we hope will serve as a catalyst for action. In the report, we lay out a plan for a reformed system of housing finance in which the private sector plays a far more prominent role in bearing credit risk. We propose the gradual elimination of Fannie Mae and Freddie Mac, replacing them with a limited government guarantee to serve as an insurance backstop of last resort in the secondary market for mortgage-backed securities. To protect taxpayers, we believe the guarantee should be
explicit and fully funded and triggered only after all private capital in what we call the “predominant loss position” has been completely exhausted.

The commission calls for a new performance-based approach to federal rental assistance that focuses on resident outcomes and devolution of responsibility to the state and local levels by rewarding high-performing providers with increased regulatory flexibility, so long as they continue to demonstrate positive results. We also propose a more targeted approach to distributing rental assistance, while endorsing short-term emergency help to low-income renters who suffer temporary setbacks, such as a health crisis or job loss. To increase the supply of affordable rental housing, we support the preservation and expansion of the Low-Income Housing Tax Credit program. Finally, we emphasize the importance of housing counseling and education as a means of preparing those considering purchasing a home for the first time. We also encourage a more comprehensive focus on our nation’s seniors that responds to their desire to “age in place” in their own homes and recognizes the importance of integrating housing with health care and other services.

Over the past century, Republicans and Democrats have worked collaboratively on policies to meet the diverse housing needs of the American people. Americans of all political backgrounds intuitively understand that ensuring access to decent and affordable housing is a goal worth striving for, and one that our country must never abandon. At this critical time in our nation’s history, we can no longer afford to defer bipartisan action on housing. The benefits of taking action are substantial: improving the lives of millions of our fellow citizens, while contributing to our nation’s economic recovery. We believe our report can serve as a framework for Congress and the administration to act in the best interests of all Americans.

Former Senate Majority Leader George Mitchell, former Sen. Kit Bond, former Sen. and HUD Secretary Mel Martinez and former HUD Secretary Henry Cisneros are co-chairmen of the Bipartisan Policy Center’s Housing Commission.

53. **POLITICO:** Morning Money
February 25, 2013

**ALSO TODAY: HOUSING REFORM EVENT** - Per release: "On Monday, the Bipartisan Policy Center’s Housing Commission will unveil a new report on housing finance and GSE reform, affordable rental housing, and more. The effort is led by former HUD Secretaries Henry Cisneros and Mel Martinez and former Senators George Mitchell and Kit Bond. The release will be webcast live starting at 11 a.m. EST: [http://bit.ly/XzfJ5u](http://bit.ly/XzfJ5u)." Martinez and Mitchell outline their plan in a POLITICO op-ed: [http://politi.co/XvuQQ](http://politi.co/XvuQQ)

54. **New Research from Nonprofit NeighborWorks America Finds Nearly One-Third Drop in Likelihood of Serious Mortgage Delinquency When Consumers Receive NeighborWorks Pre-Purchase Housing Counseling and Education**
PR Newswire
March 7, 2013

Mortgage Industry, and Local Governments Could Save Tens of Millions of Dollars if NeighborWorks Pre-Purchase Housing Counseling Education Were More Widely Available

WASHINGTON, March 7, 2013 /PRNewswire-USNewswire/ -- NeighborWorks America today released new peer-reviewed research that finds homebuyers who receive NeighborWorks pre-purchase housing counseling and education are nearly one-third less likely to fall behind 90 days or more on their mortgages within two years of origination, than consumers who
don't receive NeighborWorks pre-purchase counseling and education. The research findings have important implications for the mortgage industry because a significant number of seriously delinquent mortgage loans end up in foreclosure, costing the mortgage industry as a whole millions of dollars.

The research was conducted by Neil Mayer and Associates and Experian, and is based on approximately 75,000 mortgage loans originated in 2007, 2008 and 2009, when residential mortgage underwriting standards began to tighten. The study used econometric methods to measure whether and to what extent pre-purchase services provided by the NeighborWorks network affect first mortgage loan performance.

The research demonstrates a significant return to investment in NeighborWorks network pre-purchase counseling and education, in terms of avoiding the costs related to delinquency and foreclosure, and its associated impacts on families, their communities, and servicers.

"NeighborWorks America has long known that pre-purchase housing counseling and education, provided by certified professionals in our network helps create homeowners who are less likely to become seriously delinquent on their mortgages," said NeighborWorks America CEO Eileen Fitzgerald. "Using data from the NeighborWorks network and its customers who received this important advice and guidance, and comparing it to homebuyers who didn't receive similar housing counseling and education, we now know the empirical value that NeighborWorks housing counseling and education provide."

"Policy makers and lenders should take note. This study provides compelling evidence that pre-purchase counseling has a significant impact on reducing serious loan delinquencies within the first two years after a mortgage loan is originated," said Eric Belsky, managing director of the Joint Center for Housing Studies at Harvard University.

Belsky added, "What makes the study so important is that it goes a long way towards correcting for any possible bias introduced because people who self-select to receive counseling may also have a greater propensity to repay their loans."

While the NeighborWorks America research announced today addresses mortgage loans that are 90 days or more delinquent, on average 14% of mortgage loans that are that seriously delinquent end up in foreclosure, according to data from National Association of Realtors. Estimates vary, but total losses due to foreclosure borne by local governments, servicers and households can exceed $50,000 per foreclosure, according to a report from the Joint Economic Committee of the U.S. Congress.

Moreover, recently the Bipartisan Policy Center's Housing Commission underscored the important value of quality housing counseling. According to the report, Housing America's Future, '...housing counseling can improve prospective borrowers' access to affordable, prudent mortgage loans, especially for families that otherwise might not qualify or who may experience other barriers to mainstream lending.'

Repeat Homebuyers
Interestingly, the NeighborWorks America research shows that even repeat homebuyers benefit from receiving quality housing counseling and education. According to the report, repeat homebuyers who received housing counseling also are about one-third less likely to fall 90 days or more behind in their mortgages than repeat homebuyers who didn't receive housing counseling and education.
"More analysis is required to determine the factors for the repeat homebuyer results," said Fitzgerald. "But one thing is clear from the data: NeighborWorks pre-purchase housing counseling and education is effective, even if you've been a homeowner before."

About NeighborWorks America
For 35 years, NeighborWorks America has created opportunities for people to improve their lives and strengthen their communities by providing access to homeownership and to safe and affordable rental housing. In the last five years, NeighborWorks organizations have generated more than $19.5 billion in reinvestment in these communities. NeighborWorks America is the nation's leading trainer of community development and affordable housing professionals.

SOURCE NeighborWorks America
The 2008 financial crisis revealed huge weaknesses in the U.S. housing-finance system. Yet, although the housing market has been recovering, these problems remain largely unaddressed. Backstopping roughly 90 percent of all new mortgages, the federal government today plays an unacceptably large role in home finance.

55. A plan for housing finance
By Editorial Board
Providence Journal
March 2013

A think tank has issued a promising blueprint for reorganizing the system. The plan comes from the Bipartisan Policy Center, an organization founded by some former Senate leaders to improve cooperation in Washington. Leading an expert panel on housing were four cochairmen. They are three former U.S. senators — George Mitchell, a Maine Democrat, Christopher Bond, a Missouri Republican, and Mel Martinez, a Florida Republican who served as George W. Bush’s housing secretary. The fourth member is Henry Cisneros, who was secretary of housing and urban affairs under Bill Clinton.

After 16 months’ work, the panel offered several recommendations. Foremost is gradually doing away with the mortgage giants Fannie Mae and Freddie Mac (still taxpayer-owned), and replacing them with a “public guarantor” of last resort. Unlike Fannie and Freddie, this new entity would not buy or sell mortgages or issue mortgage-backed securities. Rather, using fees, it would guarantee timely payment on qualified securities. Its protections would be geared toward modest loans (say $300,000 or under) and would kick in only if catastrophe occurred (say a one-third drop in housing prices).

The goal is to shrink the federal role in housing finance, thereby protecting taxpayers. (Costs of the 2008 takeover of Fannie and Freddie now stand at about $140 billion.) The private sector would grow to embrace roughly half the market. While some favor an all-private market, the panel feared, justifiably, that it would kill popular tools such as the 30-year fixed-rate mortgage. Far fewer Americans could pursue home ownership, an option that the panel rightly seeks to preserve.

To its credit, the panel thought broadly, and encouraged greater support for the rental market. As it noted, extensive home ownership is both an economic and civic good, so withdrawing all aid is undesirable.

Yet when so many incentives flow mainly toward ownership, rental options are slighted. And the benefits of home ownership have been oversold, both for individuals and the country,
sometimes destabilizing the economy — most famously in the 2008 crash. The housing-affordability problem afflicting much of the nation (Rhode Island included) is inextricably linked to this imbalance. And it is bound to worsen as demand for rental units grows.

Among other things, the panel recommends expanding tax credits to developers to increase the supply, and restructuring aid to target the neediest. It also outlined steps to help the growing population of elderly Americans remain in their homes.

Most plans to reform housing finance contain something not to like. Not surprisingly, Congress and the administration have been reluctant to take up the issue. But it would be a mistake for them to bypass this chance to jump start a stalled debate. Fixing the housing-finance system remains an urgent task.

56. Bipartisan Policy Center Commission Recommends News Systems for Housing Finance and Federal Rental Assistance

RealEstateRama
February 25, 2013

A bipartisan commission of former Cabinet secretaries, former Senators and other leading housing and economic experts unveiled a new vision for housing policy today, which aims to further our nation’s economic recovery and improve the lives of millions of Americans. The recommendations propose scaling back the government role in the nation’s housing finance system and reforming housing assistance programs to better meet the needs of America’s most vulnerable households.

The commission is co-chaired by former Senate Majority Leader George J. Mitchell, former Senator Christopher S. “Kit” Bond, former Senator and HUD Secretary Mel Martinez, and former HUD Secretary Henry Cisneros, and includes 17 other individuals from diverse professional and political backgrounds.

The report from the Bipartisan Policy Center’s Housing Commission, entitled Housing America’s Future: New Directions for National Policy, proposes a new housing finance system that calls for a far greater role for the private sector, a continued but limited role for the federal government, the elimination of Fannie Mae and Freddie Mac, and reform of the Federal Housing Administration to improve efficiency and avoid crowd-out of private capital.

Through these reforms, the plan would address the broken mortgage finance system while creating a stable and strong housing market that provides greater taxpayer protection and supports a more vibrant economy.

“At this critical time in our nation’s history, we can no longer afford to defer bipartisan action on housing,” said the co-chairs in an op-ed in POLITICO today. “We believe our report can serve as a framework for Congress and the administration to act in the best interests of all Americans.”

“Profound demographic changes are transforming the country and our housing needs. The aging of the Baby Boomers, the formation of new households by millions of young Echo Boomers striking out on their own, and the increasing diversity of the American population will present new challenges and opportunities for housing providers and policy makers.”

The plan calls for reforms that would establish a new performance-based system for delivering federal rental assistance with greater devolution of responsibilities to state and
local providers. The commission also proposes to shift existing resources to assist more effectively the most vulnerable households, and to preserve and expand the Low Income Housing Tax Credit program to increase the supply of affordable rental housing.

For first-time home buyers, the report emphasizes the importance of housing counseling as a means of preparing for homeownership. The commission recommends proposals to enable seniors to “age in place” safely and affordably while integrating housing with health care and other programs. For the one-third of Americans who live in rural areas, the commission recommends continued support for homeownership and rental assistance in those communities.

“Six years after the collapse of the housing market, the problems in housing remain as severe as ever and solutions continue to be elusive,” says the op-ed. “We hope [our report] will serve as a catalyst for action.”

To read the full report of the Bipartisan Policy Center’s Housing Commission, please visit http://bipartisanpolicy.org/library/report/housing-future.

57. **Blueprint calls for shifting housing finance to private sector**  
[Bipartisan group lays out plan to shutter Fannie Mae, Freddie Mac in Reuters UK]  
By Margaret Chadbourn  
Reuters  
February 25, 2013

A bipartisan panel called on Monday for winding down government-controlled mortgage finance firms Fannie Mae and Freddie Mac as part of an effort to have private lenders take on more of the risk of supplying credit to the U.S. housing market.

The proposal from the Bipartisan Policy Center, a Washington-based think tank, aims to jump-start a stalled debate on the government's role in housing and help build a consensus for change.

Under the plan, banks and other private companies would take the lead not only in originating mortgages, but in issuing mortgage-backed securities as well.

Those firms and private insurers would then bear the risks of default, except in extreme cases when they are unable to absorb further losses, in which case a “public guarantor” funded by premium payments would provide a backstop.

"The problems in housing remain both severe and urgent," said former Senator George Mitchell, a Democrat who co-chaired the panel. "We think this proposal is a good basis to begin a national discussion and to get it on the radar screen."

Fannie Mae (FNMA.OB) and Freddie Mac (FMCC.OB) buy mortgages from lenders and repackage them as securities for investors, which they guarantee. The firms were seized by the government in 2008 as mortgage losses threatened their solvency, and they have since drawn almost $190 billion from the U.S. Treasury.

The latest proposal, which was pulled together over the last 16 months by a 21-member commission of retired lawmakers and former housing officials, would attempt to shrink the
government’s footprint in housing and have private capital play a larger role, a process that promises to take years.

Fannie Mae, Freddie Mac and the Federal Housing Administration currently back nearly nine of 10 new mortgages. At a news conference to unveil the report, members of the commission said winding down Fannie Mae and Freddie Mac would be a five to seven-year process.

A Treasury Department official said the White House hopes the proposal moves the debate on housing finance reform forward and helps build a political consensus for change.

However, with Congress focused on budget debates and with immigration and gun control top priorities, action on housing is not likely to come until at least 2014. After years of red ink, Fannie Mae and Freddie Mac are now profitable and the housing market is recovering, taking away the urgency for action.

Still, both Democrats and Republicans generally agree the system needs to change.

"A greater federal intervention was necessary when the housing market collapsed, but the dominant position of the government which currently exists is unsustainable," said panel co-chairman Mel Martinez, a former Republican senator and U.S. housing secretary.

In a first step to open the door wider for private capital, the report said Congress should gradually reduce the loan limits for government-guaranteed mortgages. It suggests limits of about $275,000 for loans eligible for government backing, down from $417,000.

Later, Fannie Mae and Freddie Mac would be replaced with a public entity that would provide a limited and explicit government guarantee for mortgage-backed securities, but would only step in if private companies were unable to cover losses.

The public guarantor would oversee the mortgage market, set standards for the mortgages backing government-guaranteed securities, and determine which loan products would be eligible for federal backing. The guarantor would bear a risk only if private sector credit-risk bearers were wiped out.

To ensure taxpayers are protected, fees would be levied on mortgage-backed securities to fund the federal backstop.

Many Republicans dislike the idea of an ongoing government guarantee for the mortgage market. But the commission saw a need for the government to step in under unusual circumstances.

Senator Bob Corker, a Republican on the Senate Banking Committee, said the bipartisan proposal "appears to be headed in the right direction." He supports placing substantial private capital in front of the government and wants to resolve the "legal limbo" presented by Fannie Mae and Freddie Mac.

The panel members made it clear they believed it would be important to ensure U.S. home buyers had access to 30-year fixed-rate mortgages. They also proposed new approaches for the distribution of federal rental subsidies and called for greater attention to the rental housing sector.
Industry groups have also put forward housing finance blueprints. They include the National Association of Realtors and the Mortgage Bankers Association, which both support a government backstop for the mortgage market.

58. **Housing Commission: Reverse Mortgages and Alternatives Must Remain Available**  
By Elizabeth Ecker  
Reverse Mortgage Daily  
February 25, 2013

A much-anticipated report released Monday from a commission of housing experts projects more interest in reverse mortgages in the coming years. Due to the need for more aging-in-place solutions, housing policy must be directed at the aging group with steps to ensure consumers understand reverse mortgages, the Bipartisan Policy Center Housing Commission writes.

“...steps should be taken to provide effective guidance to ensure consumers understand the mechanics of reverse mortgages, including the risks and benefits of these products,” the report states under its aging in place recommendations. “A white House conference could bring together top federal officials and key players in the private and public sectors to draw national attention to the issue of senior housing and to catalyze development of a coordinated approach to aging in place.”

The report, titled “Housing America’s Future: New Directions for National Policy,” focuses on four major points; housing the growing senior population one among them. The recommendations are intended to help Congress in policy measures designed to support and sustain the housing market recovery.

In addition to calls to action that will help bring private capital back into the market, such as a gradual reduction of lending limits for FHA, Fannie Mae and Freddie Mac loans, the report notes a growing emphasis that should be placed on senior housing options.

“With limited retirement savings among some aging Baby Boomers, and a shrinking social safety net, consumer interest in [the reverse mortgage] product is likely to increase significantly, and it will be imperative that older homeowners have access to low-cost and effective reverse mortgage counseling so they can learn about the risks and potential benefits of these mortgage products before they face a financial crisis,” the report states.

Additional home equity conversion tools should also be available, the commission urges policy makers.  
“Congress should also promote the development of alternative, low-cost home equity access products, particularly for seniors and family caregivers who face substantial out-of-pocket long-term care expenses.”

Despite the hold placed on the fixed rate standard reverse mortgage product under FHA’s insurance program, other products remain available and additional products will be needed, the report states.  
The report was received by housing stakeholders and analysts as a basis for the course of action Congress will need to follow in the coming months and years.

“The commission has established a solid framework on which to build, and we call on Congress and the Obama administration to seize this opportunity to move forward quickly,”
said Julia Gordon, Center for American Progress housing expert. “As always, the devil is in the details, and there are many still to be worked out.”

59. **Bipartisan Policy Center Commission Recommends New Systems for Housing Finance and Federal Rental Assistance**

*RISMedia*

**February 26, 2013**

A bipartisan commission of former Cabinet secretaries, former Senators and other leading housing and economic experts unveiled a new vision for housing policy this week, which aims to further our nation’s economic recovery and improve the lives of millions of Americans. The recommendations propose scaling back the government role in the nation’s housing finance system and reforming housing assistance programs to better meet the needs of America’s most vulnerable households.

The commission is co-chaired by former Senate Majority Leader George J. Mitchell, former Senator Christopher S. “Kit” Bond, former Senator and HUD Secretary Mel Martinez, and former HUD Secretary Henry Cisneros, and 17 other individuals from diverse professional and political backgrounds, including Richard A. Smith, the Chairman, CEO and President of Reology Holdings Corp. Chairman, CEO and President

The report from the Bipartisan Policy Center’s Housing Commission, entitled Housing America’s Future: New Directions for National Policy, proposes a new housing finance system that calls for a far greater role for the private sector, a continued but limited role for the federal government, the elimination of Fannie Mae and Freddie Mac, and reform of the Federal Housing Administration to improve efficiency and avoid crowd-out of private capital.

“We believe that this comprehensive, bipartisan approach has delivered a blueprint for a new national housing policy,” says Smith. “We hope that our recommendations will spur the government in Washington to adopt a coherent, strategic approach to national housing policy, and we look forward to the dialogue that will follow in the months to come.”

Through these reforms, the plan would address the broken mortgage finance system while creating a stable and strong housing market that provides greater taxpayer protection and supports a more vibrant economy.

“At this critical time in our nation’s history, we can no longer afford to defer bipartisan action on housing,” said the co-chairs in an op-ed in POLITICO. “We believe our report can serve as a framework for Congress and the administration to act in the best interests of all Americans.”

“Profound demographic changes are transforming the country and our housing needs. The aging of the baby boomers, the formation of new households by millions of young echo boomers striking out on their own, and the increasing diversity of the American population will present new challenges and opportunities for housing providers and policy makers.”

The plan calls for reforms that would establish a new performance-based system for delivering federal rental assistance with greater devolution of responsibilities to state and local providers. The commission also proposes to shift existing resources to assist more effectively the most vulnerable households, and to preserve and expand the Low Income Housing Tax Credit program to increase the supply of affordable rental housing.
For first-time home buyers, the report emphasizes the importance of housing counseling as a means of preparing for homeownership. The commission recommends proposals to enable seniors to “age in place” safely and affordably while integrating housing with health care and other programs. For the one-third of Americans who live in rural areas, the commission recommends continued support for homeownership and rental assistance in those communities.

“Six years after the collapse of the housing market, the problems in housing remain as severe as ever and solutions continue to be elusive,” says the op-ed. “We hope [our report] will serve as a catalyst for action.”

To read the full report of the Bipartisan Policy Center’s Housing Commission, please visit http://bipartisanpolicy.org/library/report/housing-future [2].

For more information, please visit our website: www.bipartisanpolicy.org [3].

60. Policy Experts to Congress: Senior Housing System Not Ready for Silver Tsunami

By Alyssa Gerace
Senior Housing News
February 25, 2013

Despite an overwhelming desire among seniors to age in place, most face a “harsh reality” of homes that lack the structural support to enable independent living, presenting new challenges and opportunities for housing providers, says a new Bipartisan Policy Center report.

Dramatic demographic changes from the country’s burgeoning senior population create a huge need for senior housing policy action, according to an Economic Policy Program report released by the Housing Commission, co-chaired by former HUD secretaries Henry Cisneros and Mel Martinez and former U.S. senators Christopher “Kit” Bond and George J. Mitchell.

Aging in place is the most “cost-effective and financially sensible housing option” for most seniors whose physical abilities allow for it, and about 90% of Americans aged 65 and older intend to remain in their homes permanently. However, the nation is “largely unprepared” to meet the needs of those wishing to stay in their homes and communities.

“This strong desire to age in place runs into a harsh reality: Many of today’s homes and neighborhoods were designed at an earlier time before demographic changes now transforming the country were even recognized,” says the Bipartisan Policy Center. “For many seniors, their homes lack the necessary structural features and support systems that can make independent living into old age a viable, safe option.”

The desire to age in place “will challenge seniors and their children to renovate and remodel existing homes in response to healthcare and safety needs or seek out affordable rental options within their communities to accommodate a desire to downsize,” says the report, which characterizes aging in place as a “new frontier” in housing.

The report’s authors suggest retrofitting existing properties to accommodate the needs of seniors can produce savings as it reduces the cost of medical care and other services.
Locating housing with or near service providers can yield significant savings and efficiencies, the report says, by allowing adults to age in place and avoid or delay the need to move into a more expensive institutional long-term care setting.

Delivering “modest interventions and services” through senior housing can have added benefits of reducing emergency room visits and the severity of illnesses, says the Bipartisan Policy Center, which translates to lower senior care costs.

Policy recommendations listed in the report include better coordination of housing and healthcare, support for initiatives to retrofit homes and apartments for aging in place and energy conservation, and better integration of aging-in-place priorities into existing federal programs that can allocate funds to local Area Agencies on Aging and other community groups to offer in-home services for low-income age-qualified homeowners.

Read Housing America’s Future: New Directions for National Policy here.

61. A Bipartisan Look at Demographics that Drive Housing Demand
By Janis Bowdler
Rooflines – The Shelterforce Blog
February 28, 2013

Earlier this week the Bipartisan Policy Center (BPC) released its Housing Commission Report: Housing America’s Future: New Directions for National Policy. As an advisor to Janet Murgia, NCLR President and CEO, who served as a commissioner, I had a unique opportunity to see this report come together. Each of the co-chairs commented at the outset that the final report is not what any single commissioner would have written on his or her own. In fact, it was a true bipartisan effort where everyone compromised a bit for the benefit of a productive outcome. These days Washington could sure use a few more such efforts.

The report lays out a compelling picture of our nation’s rapidly changing demographics and the implications for our housing stock and housing policy. The Pew Research Center estimates that 10,000 Baby Boomers will turn 65 every day for the next 19 years. For this cohort, age and retirement will bring a different set of housing needs. Borrowers of color will drive much of the household formation during those years, and will be the likely consumers of those Baby Boomer homes when they choose to downsize. In fact, by 2020 half of all first-time homebuyers will be Hispanic. Yet our community has been hard hit by the recession and the lingering effects of predatory lending and foreclosures. We’ve never had large sums of inherited wealth to draw from for downpayments, but since foreclosures wiped out 66 percent of our wealth, homeownership is feeling even further out of reach for some. The next iteration of our housing finance system must reflect these realities and meet the needs of renters and aspiring homebuyers. The report acknowledges this by stressing the importance of maintaining access to affordable credit for all qualified borrowers via a system free from discrimination.

While the community has been hit hard, we are not giving up on our neighborhoods or our communities’ aspirations for homeownership.

We know how to make this dream possible for a broad base of would-be homeowners. When families get housing counseling, good underwriting, and a 30-year fixed rate mortgage they are very successful—even with low-incomes or low-downpayments. This is why it is so exciting to see a bipartisan group rally around housing counseling. The NCLR Homeownership Network counsels more than 65,000 families a year and has helped
Elected officials and the administration must get serious about addressing our housing challenges. Housing has traditionally led the way to economic recovery. Despite recent gains, the housing market has so far lagged behind growth in the broader economy, translating into billions of dollars in lost economic output and millions of missing jobs. Moreover, our challenges do not stop at homeownership. A majority of the most vulnerable among us spend more than half their income on housing. Federal housing assistance is only meeting a fraction of the need. The report recommends restructuring federal assistance to focus on worst-case needs. This is a bold and courageous recommendation that deserves notice.

Six years into the housing crisis, the federal government is backing 9 out of 10 mortgages, too many creditworthy households are unable to obtain home financing, and the number of low-income renters experiencing “severe” housing cost burdens is at an all-time high. This situation is not sustainable, nor desirable. It is time to come together on a twenty-first century vision for housing policy that better serves our families, neighborhoods, and economy for generations to come.

62. The Bipartisan Policy Center Endorses a Bi-Partisan Failure
By Dean Baker
Rooflines – The Shelterforce Blog
February 26, 2013

[Ed: The Bipartisan Policy Center's Housing Commission released its report, Housing America's Future, on housing policy yesterday. Its recommendations include winding down Fannie Mae and Freddie Mac, and limiting federal government involvement in mortgages to a "Public Guarantor." Dean Baker responds.]

There is a good argument for having a public company like the old Fannie Mae sustain a secondary market in mortgages. Fannie Mae created this market in the 1930s. It was able to substantially reduce regional differences in mortgage costs and availability, with minimal operating expenses. This publicly-run company was a success by any reasonable measure.

We also know that the private market can provide housing finance without any direct support from the government. This is demonstrated by jumbo mortgages, which typically carried a premium of 25-50 basis points above conformable mortgages.

Given these successful routes for providing housing finance, the Bipartisan Policy Center took the natural path for people in Washington: a proven failure.

Instead of opting for either a public company or companies to sustain the secondary market or leaving finance to the private sector, the Bipartisan Policy Center opted for the sort of public-private mix that we saw with Fannie Mae and Freddie Mac in the years leading up to the housing crash. They want the government to guarantee investors’ stakes in mortgage backed securities.

It is difficult to understand why the Bipartisan center sees the need for a public role in the housing market. And insofar as it does see such a need, it is not clear why it cannot best be met simply by maintaining a publicly run company like the old Fannie Mae. We know that the housing market can be sustained simply with private financing. The long history with jumbo mortgages that could not be purchased by Fannie or Freddie proves this.
If the only point is to provide an interest rate subsidy then this could be much better accomplished through the tax system where we can restructure the interest deduction and make it more helpful to moderate income homebuyers by converting it to a credit. There is no need to set up a whole new financial architecture.

However, if we want a public role in the mortgage financing process, then why not do it simply and cheaply? It is hard to see what advantage the Bipartisan Policy Center's proposal has over the old Fannie Mae system. It just adds complexity and cost. This looks like a policy that was driven more by ideology than clear thinking. The goal seems to be to keep something like the current system of mortgage-backed securities and to ensure that they are profitable for the private sector.

The proper goal for housing policy should be to ensure that families have access to low-cost financing, not to maximize the profits that banks and other financial institutions can earn in the process. The Bipartisan Policy Center has developed an effective way to subsidize privately issued mortgage-backed securities. It has not developed an efficient mechanism for providing mortgage financing to homebuyers.

63. Bipartisan group suggests reforms to revive housing market
   By Robert Koenig
   St. Louis Beacon
   February 25, 2013

WASHINGTON – Federal housing aid programs should be revamped and the government’s role in the housing finance system be scaled back to help revive the housing market, suggests a bipartisan panel including former U.S. Sen. Christopher “Kit” Bond.

“Six years after the collapse of the housing market … the problems in housing remain both severe and urgent,” said former Senate Majority Leader George Mitchell, a Democrat who co-chaired the Bipartisan Policy Center commission with Bond and two former federal housing secretaries.

“Today, far too many credit-worthy families are unable to obtain a mortgage,” Mitchell continued. “The credit pendulum has swung from one extreme to the other, blocking the path to homeownership and delaying a robust housing recovery.”

At a news conference Monday, the panel released a 133-page report, which was developed after a series of hearings, including a forum in St. Louis last June, and 16 months of deliberations.

“There is tremendous relevance because Missouri has need for housing in urban and rural areas,” Bond said in an interview. He asserted that commission’s suggestions would help “people who want to buy homes, people at the low end of the poverty scale who need help in renting apartments and are really strapped.”

Among the 21-member commission’s recommendations are that Congress:

Replace the government-controlled Fannie Mae and Freddie Mac mortgage finance firms with a corporation to take over losses in catastrophic circumstances. Its main role would be to guarantee principal and interest payments on mortgage-backed securities issued by private lenders. Today, those two government-sponsored enterprises (GSEs) buy mortgages from lenders and repackage them as securities for investors, which they guarantee. They
have drawn nearly $180 billion from the Treasury since the federal government took them over in 2008 to avert insolvency.

Expand the low-income housing tax credit and shifting existing resources to target more Section 8 federal aid to the most vulnerable households – replacing the current “lottery” system that divvies out housing aid to only about a quarter of those who qualify. “It’s an outrage that only one out of four eligible Americans actually get housing assistance,” Bond said in an interview. “That’s why we’re putting tremendous emphasis on focusing our dollars on rental assistance for people who need it most.”

The commission suggests a new “performance-based” system to deliver federal rental assistance, with state and local providers taking on more responsibility. “We never have enough Section 8 housing in the St. Louis area,” Bond said. “If vouchers are not available, the lowest-income people are the least able to take care of their housing needs.”

Revamp the Federal Housing Administration to make it more efficient and avoid what experts refer to as a “crowd-out” of private loans.

Support more housing counseling and education services for first-time homebuyers.

“For homeowners who have unexpected financial difficulties – they lost their job or a medical emergency or some other crisis – housing counseling can help them identify options before they fall behind on their payments,” Bond said at the news conference. In addition, “pre-purchase counseling” helps families gauge if they have the finances in place to buy a home.
Bond, bipartisan panel call for overhaul of housing policies
By Bill Lambrecht
St. Louis Post-Dispatch
February 25, 2013

Former Missouri Sen. Christopher "Kit" Bond, flanked by former HUD secretary Henry Cisneros (left) and Mel Martinez, a former senator and HUD secretary. Photographed on Feb. 25, 2013.

As a Missouri senator, Christopher "Kit" Bond fought efforts by fellow Republicans to cut housing subsidies while working to boost spending for the homeless.

Bond's expertise and his reputation for working with Democrats made him a natural choice to co-chair the Bipartisan Policy Center's Housing Commission, which today called for revamped policies that place more lending risks with private industry and reduce the role for government and taxpayers.

The report, 16 months in the making, also recommended striking a better balance between home ownership and renting and doing away with the troubled government entities known as Fannie Mae and Freddie Mac in the mortgage business.

In their place, a new government corporation would operate as an insurance backstop in the secondary market for mortgage-backed securities.

Bond and the other called for the Agriculture Department — which provides housing assistance in rural areas — to spend more to help both home owners and renters outside of urban areas.

They also recommended expansion of the government's Low-Income Housing Tax Credit program.

"We know it's a difficult time to talk about spending," Bond said, speaking at the Newseum. "And these recommendations, as they say in the country, will be no small stump to jump."

Since leaving the Senate, Bond, 74, has been practicing law and operating a consulting business that primarily helps companies expand into southeast Asia.
On the Bipartisan Policy Center's commission on housing, he has been working with former Sen. George Mitchell, D-Maine, former Housing and Urban Development (HUD) secretary Henry Cisneros, a Democrat, and former Sen. Mel Martinez, R-Fla., who also is a past HUD secretary.

The co-chairs warned of sharply increasing needs for rental housing driven by the rise of Hispanic and Asian populations while members of the Baby Boom downsize from their current homes. They said they hope their report will guide Congress in coming months and called on the Senate and House to work in bipartisan fashion to tackle housing matters.

Mitchell said that problems in housing remain "severe and urgent" six years after the housing market collapse that triggered the deep recession.

"The credit pendulum has swung from one extreme to another, blocking home ownership and delaying the housing market's recovery," he said.

For the St. Louis region, Bond said that a key recommendation would be counseling for first-time home-buyers. He said that people need expert help in answering questions, chiefly whether they are in a financial position to purchase a home and "how much of a house they can afford."

65. **Government May Stay Involved in the Housing Market After All**

By Shanthi Bharatwaj

The Street

February 25, 2013

A bipartisan report on housing released Monday called for continued involvement of the government in the mortgage market even as it wants greater private participation. The Bipartisan Policy Center's Housing Commission -- headed by former U.S. Senators George Mitchell, a Democrat, Republicans Christopher Bond and Mel Martinez and former Housing and Urban Development Secretary Henry Cisneros -- is proposing winding down Fannie Mae (FNMA_) and Freddie Mac (FMCC_) and replacing it with a "public guarantor." "While private capital must play a greater role in the housing finance system, continued government involvement is essential to ensuring that mortgages remain available and affordable to qualified homebuyers," the report said.

The public guarantor, unlike Fannie and Freddie, would not buy or sell mortgages or issue mortgage-backed securities. Rather, it will guarantee timely payment of principal and interest on securities, a model similar to Ginnie Mae, the government agency that guarantees securities backed by government agencies including the Federal Housing Administration and the Department of Veteran Affairs.

The "limited catastrophic guarantee" would be triggered only after "all private capital ahead of it has been exhausted."

The guarantee also will be "explicit" and fully paid for through premium collections that exceed expected claims.

The commission proposes winding down Fannie and Freddie after a multiyear transition period. The report recommends that the Federal Housing Finance Agency, the conservator of the GSEs, to continue letting them raise fees and gradually lower loan limits to allow larger loans to flow to private capital.
The current GSE limits are $417,000 in most areas and $625,500 in high-cost locations. The report also noted the various obstacles that restrict mortgage credit, including overly tight standards, fear of putback risk, demand for multiple appraisals and the use of distressed properties as a basis for market comparisons.

It says the Treasury should be directed to develop a plan to align various regulatory requirements as much as possible to help get mortgage credit flowing again. The report also includes recommendations for affordable renting, rural housing and solutions for an aging population.

66. 136 Banking Institutions Attend 6th Annual Sterne Agee Financial Institutions Investor Conference
Street Insider
February 25, 2013

Rob Couch of the Bipartisan Policy Center’s Housing Commission Keynote: Future of Housing & Mortgage Markets

MIAMI--(BUSINESS WIRE)-- Sterne, Agee & Leach, Inc., one of the oldest and largest privately-owned investment banking firms in the country, last week hosted more than 550 banking professionals representing 136 institutions at the firm’s sixth annual Financial Institutions Investor Conference in Miami. Sterne Agee’s flagship conference once again brought together many of the brightest minds in investment strategy to help clients better understand and navigate uncertain market waters. The event, which featured over 1,500 meetings between management teams and investors, also offered topical panels and presentations on issues affecting the industry.

“We are very pleased that so many top financial institutions and thought leaders joined us last week for an amazing exchange of ideas and discussions about expanding and protecting market share,” said John Bearden, head of Sterne Agee’s Financial Institutions Group. “You just can’t put a price on learning about new and exciting strategies, especially in these competitive times.”

The keynote address was delivered by Rob Couch, member of the Bipartisan Policy Center’s Housing Commission, current Counsel at Bradley Arant Boult Cummings and former U.S. Department of Housing and Urban Development General Counsel. He discussed the future of the housing and mortgage markets.

“A big thanks to Rob Couch for his fantastic keynote on the housing and mortgage sectors,” said Jim Holbrook, Chairman and CEO of Sterne Agee. “Not only were his thoughts on housing and mortgages in today’s economy very insightful, but the address was especially timely since these markets are showing signs of improvement.”

67. Mel Martinez returns to Capitol Hill and stumbles into immigration debate
By Alex Leary
Tampa Bay Times
March 19, 2013

Mel Martinez must have felt a powerful case of déjà vu today during his return to Capitol Hill. The former Florida senator was there to testify before a banking committee but found himself in a pack of reporters asking about immigration policy.
“Sen. Paul is some taking some leadership on an issue that needs a lot of leadership. I’m delighted to hear that,” said Martinez, who was a key player in the failed 2007 attempt at immigration reform.

He was asked what has changed for Republicans in the years since. “I think the climate is totally different. I still think it’s really important…"

“I can’t believe I’m talking to you all, the same faces, about this again,” he said, beaming.

“I think the climate is totally different than it was four years ago, five years ago. Obviously, elections have consequences, and I think the statements from the RNC and Chairman Priebus, I think it’s a much better climate. But also border security has improved. The migration coming from Mexico today is not what it was. And, by the way, we’re experiencing some labor shortages again as we begin to grow our economy and housing comes back. There’s just a much better atmosphere.”

Martinez said he’s read Jeb Bush’s new immigration book and defended Bush’s stance that immigrants wanting to become citizens would have to first return to their home country.

"When we were doing the bill in 2007, we were saying go home and come back -- 'touchback.' That was kind of the way we thought we could get it through (Congress). I think that's the same think the governor was saying, is that he was setting something out there that he thought would be acceptable" politically.

While Paul dithered on whether he supported a path to citizenship, Martinez was unambiguous. "There should not be a group of people in our country that are denied the benefits and the privileges and the opportunities to contribute to society by being citizens."

A reporter asked, “What are you doing here today, senator?”

“I came to testify in the Senate banking committee on GSE reform.”

Cackling, the reporter said, “Oh, that sounds interesting.”

68. **Will Reform of Fannie and Freddie Kill the 30-Year Mortgage?**

   By Chris Matthews
   
   TIME
   March 4, 2013

The sequester is all anybody wants to talk about. I get it: It’s the hip new crisis sweeping Washington. But remember Fannie Mae and Freddie Mac? You know, the once quasi-independent housing giants whose takeover by the federal government has cost taxpayers upwards of $190 billion thus far? Well, Fannie and Freddie are still owned by the federal government and, on top of that, are the only thing holding the U.S.’ badly battered housing-finance system together, as the Feds back 9 out of 10 mortgages issued today.

But Congress and the President have been so bogged down in their never-ending budget battles that we’ve heard little from Washington on this subject in recent months. Until last week, that is, when the Bipartisan Policy Center — a think tank formed by former Senate Majority Leaders Howard Baker, Tom Daschle, Bob Dole, and George Mitchell — tried to bring this very important issue back to the fore by releasing a 131-page report on the future of housing policy in America.

Their solution is to wind down Fannie Mae and Freddie Mac by slowly selling off their assets to the private sector as the economy improves. In their place, the government would create
a public guarantor of mortgages, sort of like what Ginnie Mae does for FHA and VA loans now. This guarantor would not purchase mortgage-backed securities as Fannie Mae and Freddie Mac do now; rather it would simply insure mortgages in case of default, and charge a fee to do so. The BPC framework would also require issuers of mortgage-backed securities to purchase private insurance, so that the government guarantor would only have to step in in the case of a total real estate market meltdown, similar to the one we experienced in 2008.

This system is more stable than the one in place prior to the crisis because the government guarantees would be explicit, and be accounted for in the budget. Furthermore, any losses the government would have to take would be paid for in advance by guarantee fees paid by the issuing bank.

But this raises the question: Why does the government play a role in the housing market at all? After all, one of the causes of the mortgage market meltdown was quasi-governmental Fannie and Freddie taking on too much risk. And many Republicans, like House Financial Services Committee Chair Jeb Hensarling, want to completely privatize the housing finance system. Wouldn’t that make the most sense if the goal is to protect taxpayers from having to bailout out the mortgage industry again?

Not if we want to maintain the 30-year, fixed-rate mortgage that most American homeowners have come to know and rely on. According to the report, without some form of government backstop, those types of mortgages would be exceedingly rare. As was seen during the savings and loan crisis of the 1980s, long-term, fixed-rate mortgages are risky investments for mortgage lenders to keep on their books. A bank that makes such a loan has not only to deal with the risk that a borrower may not re-pay in full, but also the risk that interest rate fluctuations impose on the investment. When interest rates rise, a bank can’t pass that cost on to borrowers because the rate is fixed. On top of that, lenders have to deal with prepayment risk, the risk that a borrower will pay back the mortgage before its due, reducing the total return of the investment.

The BPC’s position is no government role, no long-term fixed rate mortgages. So what’s the alternative? Though it may come as a surprise to many Americans, the 30-year fixed-rate mortgage is actually very uncommon outside the U.S. For all the reasons listed above, banks just don’t like to make such long commitments without being able to adjust the interest rates they charge customers, or prohibiting prepayment. In Canada for instance, the most common mortgage is a five-year fixed rate loan. These mortgages are amortized over a twenty-five year period, but the interest rate must be adjusted every five years, and there is no cap on how much interest can be charged.

This sort of system probably seems strange to most Americans, who have grown used to knowing exactly what their housing payments will be over the long term. There surely is value in having this sort of certainty, but banks don’t give it away for free. Lenders charge a premium to cover the risk they are incurring by giving such stable terms. And while it may seem to Americans that the Canadian system is too unpredictable, Canadians themselves seem to get along just fine with it, as they have home ownership rates similar to ours.

So while you may recoil at the idea of having the government involved in the mortgage market, it appears government intervention is necessary unless we’re willing to introduce significant changes to the way the average American will finance the purchase of a home. And given how averse to change many voters in this country are, one can expect significant support for continued federal participation in housing finance for years to come.
A report from a bipartisan think tank said the U.S government should slowly back out of supporting the housing market as extensively as it does now.

On the other hand, that might be more easily said than done, the report concedes.

"For the foreseeable future, there is simply not enough capacity on the balance sheets of U.S. banks to allow a reliance on depository institutions as the sole source of liquidity for the mortgage market," a report commissioned by the Bipartisan Policy Center said.

The report was written by a group that included president of the American Bankers Association Frank Keating, a former governor of Oklahoma, former Housing Secretary and former Republican Sen. Mel Martinez of Florida and other panelists, including former Senate Democratic Leader George Mitchell and former Housing Secretary Henry Cisneros, who served under President Bill Clinton.

The New York Times reported Friday the report recommends phasing out the Federal Home Loan Mortgage Corp., known as Freddie Mac, and the Federal National Mortgage Association, known as Fannie Mae, but replacing them with a similar institution that purchases loans, but concentrates its focus on loans for low-income borrowers.

"Given the size of the market and capital constraints on lenders, the secondary market for mortgage-backed securities must continue to play a critical role in providing mortgage liquidity," the report said.

Through Fannie Mae, Freddie Mac and the Federal Housing Administration, the government now backs about 90 percent of all new mortgages, a record that was prompted by the financial crisis of 2008 and 2009.

Martinez said he envisioned that dropping substantially with the FHA backing just 15 percent of new mortgages and the Fannie Mae and Freddie Mac replacement backing 35 percent to 45 percent more.

The goal would be to have the private sector guarantee 40 percent to 50 percent of new mortgages, Martinez said.

That would be, more or less, like the good old days. In the 1980s, banks held about 75 percent of their loans, keeping the profits but also accepting the risks. That might be a worthy goal to shoot for, Martinez said.

Four years after Fannie Mae and Freddie Mac were taken over by the Treasury Department, there has been little serious movement to revamp the housing-finance giants and the $10 trillion U.S. mortgage market that they support.
But a behind-the-scenes effort to jump-start the debate over Fannie's and Freddie's future is under way, and the broad outlines appear to favor winding down the two companies, expanding the role of the private sector and placing more emphasis on government support for rental housing.

These and other recommendations will be at the center of a report scheduled for release on Monday by the Bipartisan Policy Center, a Washington think tank. The group's housing commission is headed by former U.S. Sens. George Mitchell, a Democrat; Republicans Mel Martinez and Kit Bond; and former Housing and Urban Development Secretary Henry Cisneros, who served in the Clinton administration.

Obama administration officials believe the BPC paper could test the waters for the Treasury to advance its own, separate proposal that has been in the works for the past year, said people familiar with internal deliberations. Senior administration officials met with the BPC's housing commission and said they hoped that the proposal would help build a political consensus, said Mr. Mitchell.

Housing-finance reform faces a crowded agenda in Congress, which is preoccupied with deficit reduction, immigration, and guns. Some analysts believe Fannie and Freddie aren't likely to be addressed until next year at the earliest, especially now that the companies are no longer losing money and the housing market has turned around.

But the BPC co-chairs said their report, the product of a 21-member commission that met over 16 months, is a bid to push housing back onto the front-burner. "There's been a kind of stalemate of ideas," said Mr. Cisneros.

With the government—through Fannie, Freddie and federal agencies—backstopping nine in 10 new loans, not taking up the debate "is in effect throwing up your hands and letting the problem continue indefinitely," added Mr. Mitchell.

The BPC paper calls for replacing Fannie Mae and Freddie Mac with a "public guarantor" that would oversee a new mortgage market through which banks and other private companies would originate mortgages and issue mortgage-backed securities. Currently, Fannie and Freddie issue mortgage-backed securities.

Private insurance companies would guarantee the mortgages and cover losses when loans default. The public guarantor would only step in if private-insurance providers were wiped out. To protect taxpayers, a fee paid on each issue of mortgage-backed securities would fund a separate federal insurance pool.

The public guarantor would determine which mortgage products would be eligible for government backing.

The paper suggests limits of around $275,000 for loans eligible for backing from the new entities, down from today's national limit of $417,000. The limits might be higher in more expensive housing markets.

At the heart of the commission's report is the conclusion that the U.S. mortgage market should continue to offer access to low-cost, 30-year fixed-rate mortgages and that the government will need to play some market backstop in order to attract the capital needed to fund those loans.
While some conservatives have criticized the idea that the government would continue to guarantee even a small part of the mortgage market after suffering tens of billions of dollars in losses during the financial crisis, the housing commission took the view that there is no such thing as a purely private mortgage market. The government will inevitably step in during a bust, they say.

Consequently, it is better to have firms pay upfront since the government is already at risk of losses later. "It is a guarantee of last resort, and it is a funded guarantee," said Mr. Martinez, who served as housing secretary in former President George W. Bush’s cabinet.

The BPC report isn’t the first to offer a blueprint on how to restructure the mortgage market and reduce the government's role. But the report is the most comprehensive effort thus far, building on earlier proposals put forward by industry groups such as the National Association of Realtors. It is the first designed to build bipartisan consensus.

While industry groups such as the Mortgage Bankers Association and the NAR are likely to support any plan that continues to provide a government backstop, it will still have to overcome deep reservations.

One concern is whether the new public guarantor could appropriately set insurance costs.

"You are asking a lot of that entity," said Thomas Lawler, a former economist at Fannie Mae. During the past crisis, "private markets completely miscalculated risk."

The paper goes beyond the mortgage market to discuss broader housing issues and calls for greater attention to rental housing, including using any savings from scaling back the mortgage interest deduction to pay for rental initiatives.

Fannie and Freddie failed in 2008 as rising losses wiped out thin capital reserves. So far, taxpayers are on the hook for $137 billion for the two companies, although that number is projected to fall as the companies send more profits to the Treasury.

The plan could offer clues about where the Obama administration is headed. It includes many of goals that Michael Stegman, a top Treasury housing-finance adviser, outlined last month in a speech as prerequisites of any overhaul. Mr. Stegman funded the grant that created the BPC housing commission before joining Treasury two years ago.

Write to Nick Timiraos at nick.timiraos@wsj.com

A version of this article appeared Feb. 25, 2013, on page A4 in some U.S. editions of The Wall Street Journal, with the headline: Debating Future of Fannie and Freddie.

71. Fix Isn’t In for Housing Finance
By David Reilly
The Wall Street Journal
February 25, 2013

Housing markets can’t have their cake and eat it, too. But that is what people on all sides of the debate over how to overhaul the housing-finance system, along with what to do about Fannie Mae and Freddie Mac, seem to want.

This was underscored by a report Monday from a Washington think tank, the Bipartisan Policy Center. Some hope it will spur moribund discussions on housing finance and possibly pave the way for proposals from the Obama administration.
The report called for winding down Fannie and Freddie and replacing them with an agency that would offer a form of government reinsurance to mortgage-backed debt, which firms would have to pay for. But, while this is meant to minimize government backing of the mortgage market, the plan doesn't eliminate the risk to taxpayers from another housing downturn. That in many ways is because the report also endorses the continuation of 30-year, fixed-rate financing with no prepayment penalties.

That gets to the dilemma at the heart of the debate over housing finance. It is possible to have either a housing market without government backstops, or a 30-year, fixed-rate mortgage with no prepayment penalty. It probably isn't possible to have both.

As the Policy Center notes, such long-term financing is relatively rare in other countries where shorter-term and variable-rate mortgages are the norm. That is why firms like Fannie and Freddie are virtually nonexistent elsewhere.

The report adds that long-term mortgages have been "a tremendous boon to consumers." But they are essentially subsidized by taxpayers. The problem is that investors in mortgage-backed debt aren't eager to take on both long-term interest-rate and credit risk.

While long-term, fixed-rate mortgages are incredibly popular, any effort to address the broken housing-finance system must also acknowledge that they come at a big cost.

72. Six Questions on the Latest Fannie, Freddie Overhaul Proposal
   By Nick Timiraos
   The Wall Street Journal
   February 27, 2013

A bipartisan group of former senators and housing secretaries unveiled on Monday a comprehensive proposal in a bid to jump-start the stalled debate over what to do with Fannie Mae and Freddie Mac.

Here’s a look at some of the most frequently asked questions on the report from the Bipartisan Policy Center, a Washington think tank:

What does the report propose? The BPC’s housing commission calls for the government to wind down Fannie and Freddie within five to 10 years and replace them with a new infrastructure that would provide explicit government insurance on mortgage-backed securities, but only if private insurance providers are wiped out first. Fannie and Freddie issued mortgage-backed securities and investors bought them on the assumption that there was a fuzzy “implied” guarantee that would lead the government to rescue the firms if they got into trouble, which is exactly what happened in 2008.

Why does the BPC think that the government needs to guarantee mortgage-backed securities? At the heart of the commission’s report is the conclusion that the U.S. mortgage market should continue to offer access to low-cost, 30-year fixed-rate mortgages and that the government will need to play some market backstop in order to attract the capital needed to fund those loans. (Only one other country, Denmark, offers the product widely).

Banks don’t hold onto many of those mortgages and haven’t for decades. Instead, over the last 30 years, Fannie and Freddie, along with private banks, bundled those loans together and sold them off to investors as securities. Fannie and Freddie developed deep, liquid
markets for buying and selling mortgage-backed securities, attracting capital from pension and mutual funds and foreign investors that wouldn’t otherwise invest in U.S. mortgages.

**It’s been 4½ years since Fannie and Freddie were rescued by the Treasury Department. Why hasn’t the White House or Congress dealt with them?** The Obama administration issued three broad options for what might happen to Fannie and Freddie two years ago, but has said little since. Conservative Republicans have argued strongly against continued government guarantees, though they have made equally little headway in producing a detailed plan. One reason for the reluctance on both sides: almost any proposal to overhaul the nation’s $10 trillion mortgage market includes unpopular steps—either limiting access to credit, raising costs, or putting some risk on taxpayers, and often a mix of all three.

**There have been other housing-finance reform proposals before that have made similar recommendations. What’s different about this one?** One reason the BPC report is garnering more attention is, in part, because the debate over what to do has stalled out. The commission’s co-chairs said Monday that one hope is that their recommendations force the issue back onto the agenda in Washington and encourage a more thoughtful discussion about how to move forward.

One sign that may be happening: Sen. Bob Corker (R., Tenn.) put out a statement on Monday saying the report “appears to be headed in the right direction.” Mr. Corker could be a key Republican dealmaker whenever the Senate takes up any housing-finance overhaul.

**Who supports the proposal’s recommendations?** The real-estate industry, including mortgage bankers and Realtors, generally gave the report a warm reception because it commits to maintaining some type of federal safety net for mortgage markets.

**What objections are being raised?** The report doesn’t spell out where the capital would come from to build the new mortgage market. It doesn’t say how the existing infrastructure of Fannie and Freddie might be used to create the new market, and how or if the U.S. is to recover the nearly $190 billion investment it has in the two companies (after counting dividends that have been paid to the Treasury, the total cost of the rescues are closer to $137 billion). Those concerns, of course, could be addressed later.

But there are bigger reservations that any plan structured similar to the BPC proposal will have to contend with: Can a government regulator appropriately determine how to price the cost of the new insurance that the government would provide? The report estimates that mortgage rates might need to rise by another 0.25 percentage points to ensure that the government would be protected against losses.

Another worry: private lenders will be incentivized to sell off the riskiest loans that they’re able to fit within the guidelines for any federal backing. “That’s what they did with the ratings agencies during the bubble: ‘How much can we get away with and still get a triple-A [rating]?’” said Thomas Lawler, a former economist at Fannie Mae.

73. **Peter Wallison: How to Repeat the Mortgage Mess**  
   By Peter Wallison  
   The Wall Street Journal  
   March 6, 2013
In September 2008, amid the financial panic and collapse of the housing market, the federal government bailed out and took control of Fannie Mae and Freddie Mac, two government-sponsored enterprises that dominated the mortgage market. After four years and $180 billion of taxpayer funds to keep them afloat, they are beginning to make profits from their near monopoly. This week, the head of the federal agency that supervises Fannie and Freddie, Edward DeMarco, outlined a sensible plan that would prepare the companies—which remain the dominant players in housing finance—for either full privatization or government ownership.

These are the obvious alternatives, but there is a third idea in the mix, one that is as seductive as it is dangerous: a private system but with an explicit government mechanism for future bailouts when they prove necessary. The rationale? If there's a problem in housing finance, the government will inevitably step in as it did in 2008. So why not create a government insurance program now, compensating taxpayers for the burdens they will have to shoulder eventually anyway?

This argument has been advanced many times since Fannie and Freddie went under, most recently by the Bipartisan Policy Center, a Washington think tank. The center's plan, released to the public late last month, is already getting some favorable media attention. It is likely to get increasing attention in Washington, since it is headlined by two former Housing and Urban Development secretaries (Mel Martinez and Henry Cisneros) and two former senators (Democrat George Mitchell and Republican Kit Bond).

A system for private housing finance with a government insurance backstop may sound reasonable, even sophisticated. But it is seriously flawed.

First, such a system cannot logically be contained. There is nothing special about housing. Lest we forget, the government also stepped in to rescue the domestic auto makers five years ago. Why not a backstop now for Detroit? At the end of this road is bailout nation: a government insurance backstop for every industry.

Second, taxpayers never get compensated by establishing insurance funds. Congress, when it passed the Hurricane Sandy aid bill, bailed out the National Flood Insurance Program to the tune of $9.7 billion. That program had collected insurance over many years to protect against events like Hurricane Sandy—but it wasn't enough.

Other federal insurance systems that have gone or are going broke include the Federal Housing Administration, the Pension Benefit Guaranty Corporation and the Federal Savings and Loan Insurance Corporation. To stave off insolvency, the Federal Deposit Insurance Corporation in 2009 ordered banks to pay three years of insurance premiums in advance.

Congress lacks the incentives of private insurers to charge risk-based rates or to create and maintain the large funds necessary to deal with catastrophic losses. There is always an incentive to keep rates down to placate interest groups, or to say the fund is large enough—until disaster strikes and the country learns it isn't.

Third, federal insurance encourages careless behavior by those who know that if things go bad, someone will be there with a bailout.
Consider the Bipartisan Policy Commission's plan, "Housing America's Future." The government’s role would be to backstop a private system of mortgage insurance. The backstop will only come into play if private insurers can't meet their obligations.

The downside? Investors in mortgages or mortgage-backed securities created under the plan would have little incentive to care about the quality of the loans—precisely because they would ultimately be protected from losses by the government. Nor would the creditors of the private mortgage-insurance companies care about the quality of the mortgages or the companies' capital positions. The government would bail them out too if the insurers failed.

This would make it all the more likely that mortgage insurers wouldn’t be able to cover low-quality mortgages that the government backing induced investors to buy.

Fourth, Congress will do what it always does—expand the program so that it covers more and more mortgages of lower and lower quality. This is what happened after affordable housing goals were imposed on Fannie and Freddie in 1992, and when the Clinton administration made the Community Reinvestment Act into a quota system in 1995. Congress has also authorized increases in the size of mortgages that Fannie, Freddie and the Federal Housing Administration could acquire, most recently by raising the maximum for FHA mortgages to $729,000 (from $625,000) in 2012.

These changes were strongly backed by a variety of interest groups, including community activists, real-estate agents and home builders. The pressures from these groups, beginning in 1992, succeeded in degrading mortgage underwriting standards, causing the mortgage meltdown that triggered the 2008 financial crisis.

If an insurance backstop program such as the one proposed by the Bipartisan Policy Center is put in place, the same dismal process will be repeated. Congress loves programs that deliver financial benefits today with the inevitable catastrophes put off into the future. These programs are even better when lawmakers themselves can tell their constituents—and may even believe—that this is merely a federal backstop to a private system.

Once a fund of any size is created to back a particular industry, the arguments against a bailout virtually disappear. After all, what is the program for? Aren't the funds already there to cover the losses? In reality, sufficient funds are not going to be there. In a perpetual-deficit world, the money also has to be borrowed, adding to the national debt.

Since Fannie and Freddie were bailed out, there has been no end of plans to maintain the government's role as guarantor of mortgages for housing and other real estate. They will all end up putting the country back on the road to another crisis. The only way to ensure a stable mortgage market is to get the government out, and keep it out.

Mr. Wallison is a senior fellow at the American Enterprise Institute.

A version of this article appeared March 7, 2013, on page A17 in the U.S. edition of The Wall Street Journal, with the headline: How to Repeat the Mortgage Mess.

74. Executive Session & Bipartisan Solutions for Housing Finance Reform? U.S. Senate Hearing Committee on Banking, Housing, & Urban Affairs March 19, 2013 |10:00AM-12:00PM|
Committee on Banking, Housing, & Urban Affairs will meet in EXECUTIVE SESSION to consider the nominations of The Honorable Richard Cordray, of Ohio, to be Director of the Consumer Financial Protection Bureau for a term of five years; and The Honorable Mary Jo White, of New York, to be a Member of the Securities and Exchange Commission for the remainder of the term expiring June 5, 2014. Following the Executive Session, the Committee will meet in OPEN SESSION to conduct a hearing on “Bipartisan Solutions for Housing Finance Reform?” The witnesses will be: The Honorable Mel Martinez, Co-Chair, Bipartisan Policy Center’s Housing Commission; The Honorable Peter Wallison, Arthur F. Burns Fellow in Financial Policy Studies, American Enterprise Institute; and Ms. Janneke Ratcliffe, Senior Fellow, Center for American Progress.

Witnesses
Panel 1

- **The Honorable Mel Martinez** [view testimony]
  Co-Chair
  Bipartisan Policy Center's Housing Commission

- **Ms. Janneke Ratcliffe** [view testimony]
  Senior Fellow
  Center for American Progress

- **Honorable Peter Wallison** [view testimony]
  Arthur F. Burns Fellow in Financial Policy Studies
  American Enterprise Institute

75. **Calls intensify for President Obama to break ties with Fannie Mae, Freddie Mac**

By Brian Hughes
Washington Examiner
February 25, 2013

President Obama is facing increased pressure to eliminate the government-backed mortgage titans Fannie Mae and Freddie Mac after months of very limited progress by the White House to loosen the failed mortgage giants' grip on the rebounding real estate market.

Five years after the housing market crashed, Obama has focused primarily on helping homeowners who are underwater on their mortgages get refinancing. But that effort has required even greater government reliance on Fannie and Freddie without making any substantial push to create a new home-financing system that's influenced more by the private sector. Since being taken over by the federal government, Fannie and Freddie have cost taxpayers $137 billion.

"There has never been any White House leadership on this," said David John, a senior research fellow in retirement security and financial institutions at the Heritage Foundation. "Fannie Mae and Freddie Mac have outlived their usefulness. The real hesitation to do too much while housing was very weak -- that ceases to be an excuse."

In his State of the Union address, Obama touted a "healing" housing market, but Fannie, Freddie and other federal agencies are now responsible for 90 percent of all new housing loans. The administration floated the idea of eliminating Fannie and Freddie in a paper released a year ago, but the suggestion was put on the back burner ahead of the presidential election.
In recent weeks, Treasury Secretary Timothy Geithner hinted at such reforms but added, "We don't expect to legislate this year."

A new report released Monday by the Bipartisan Policy Center said Obama and Congress could ill afford to ignore broader housing reforms. The group called for the elimination of Fannie and Freddie and increased involvement from private interests, saying the current arrangement "failed and should not be repeated." The report was authored by former Democratic Sen. George Mitchell, former Republican Sens. Mel Martinez and Kit Bond and Henry Cisneros, President Clinton's Housing and Urban Development secretary.

"Greater federal intervention was necessary when the market collapsed but the dominant position currently held by the government is unsustainable," the report concluded. "Reducing the government footprint and encouraging greater participation by risk-bearing private capital will protect taxpayers while providing for a greater diversity of funding sources."

Under the proposal, a "public guarantor" would oversee the issuance of mortgage-backed securities by private companies and banks. The public guarantor would only be used if private insurance failed and would be funded by a federal insurance pool established from fees on the mortgage-backed securities.

The White House plan released a year ago called for scaling back Fannie and Freddie over five to 10 years, with options ranging from some government guarantees of mortgages to none at all. Such a call was missing from the president's State of the Union address -- and some say that with Obama focused on fiscal battles, gun control and immigration, he'll be hard-pressed to move the needle on the housing finance system.

Without White House action, however, housing policy could undermine Obama's attempts to jump-start the economy, some experts said.

"We have seen a fairly long series of programs over the last few years that have promised much more than they delivered," John said. "They're not an answer to the problem."

76. Bipartisan think tank unveils new plan for U.S. housing finance reform

Xinhua
February 25, 2013

The U.S. needs an entirely new system of housing finance to better meet the needs of the most vulnerable households and support the economic recovery, said a Washington think tank that promotes bipartisan political solutions on Monday.

After examining the key issues in U.S. housing over the past 16 months, the Bipartisan Policy Center's (BPC) Housing Commission unveiled a new blueprint that called for winding down the taxpayer-backed mortgage giants, Fannie Mae and Freddie Mac, and expanding the role of private sector in the housing finance reform.

In the report entitled Housing America's Future: New Directions for National Policy, the commission proposed to replace Fannie Mae and Freddie Mac with a new government entity, the "Public Guarantor", which would provide a limited government guarantee for catastrophic risk for certain mortgage-backed securities, after a multiyear transition period.
"The business model of these government-sponsored enterprises (GSEs) publicly traded companies with implied government guarantees and other advantages has failed and should not be repeated," the report noted.

Fannie Mae and Freddie Mac failed in 2008 and were taken over by the U.S. Treasury Department to continue supporting the 10 trillion U.S. dollars mortgage market.

The plan called for a far greater role of private sector in housing finance, saying "reducing the government footprint and encouraging greater participation by risk-bearing private capital will protect taxpayers while providing for a greater diversity of funding sources."

At present, the U.S. government supports more than 90 percent of single-family mortgages through entities such as Fannie Mae, Freddie Mac, Ginnie Mae, and the Federal Housing Administration as well as roughly 65 percent of the rental mortgage market.

The Obama Administration delivered a report to Congress that reform the U.S. housing finance market on Feb. 11, 2011, but made little progress in the past two years. Analysts believed this new proposal would trigger a national debate and help build a political consensus to move forward with housing finance reform.

"At this critical time in our nation's history, we can no longer afford to defer bipartisan action on housing," said the co-chairs of the BPC's Housing Commission in an op-ed on the U.S. famous website Politico Monday. "We believe our report can serve as a framework for Congress and the administration to act in the best interests of all Americans."

77. **Fannie Mae, Freddie Mac to build a new entity: FHFA**

Xinhua
March 4, 2013

WASHINGTON, March 4 (Xinhua) -- U.S. mortgage giants Fannie Mae and Freddie Mac will build a new entity as they wind down operations and may eventually be replaced by the entity, the U.S. Federal Housing Finance Agency (FHFA) said Monday.

"It will be initially owned and funded by Fannie Mae and Freddie Mac, and its functions are designed to operate as a replacement from some of their legacy infrastructure," Edward DeMarco, acting director of FHFA, said in a speech before the National Association for Business Economics in Washington, D.C..

"The new venture will be headed by a CEO and Chairman of the Board that are independent from Fannie Mae and Freddie Mac. It will also be physically located separate from Fannie Mae and Freddie Mac," DeMarco noted in the agency's strategic plan for 2013.

"The overarching goal is to create something of value that could either be sold or used by policymakers as a foundational element of the mortgage market of the future," he added.

By setting up a new structure, FHFA plans to build a new secondary mortgage market infrastructure that can be used by any issuer, servicer, agent and other market participants, preparing for the next phase of housing finance reform and replacing Fannie Mae and Freddie Mac's outmoded proprietary infrastructures.

The Obama Administration delivered a report to Congress that reforms the U.S. housing finance market on Feb. 11, 2011, including winding down the Fannie Mae and Freddie Mac.

The Bipartisan Policy Center, a Washington think tank that promotes bipartisan political solutions, proposed to replace Fannie Mae and Freddie Mac with a new government entity.
and expand the role of private sector in the housing finance reform last month. There seems to be broad consensus that Fannie Mae and Freddie Mac will not return to their previous corporate forms.

"The Enterprise market presence should be reduced gradually over time," DeMarco told reporters, adding "in the single-family credit guarantee business we have set a target of 30 billion U.S. dollars of unpaid principal balance in credit risk sharing transactions in 2013 for both Fannie Mae and Freddie Mac".

The two government-sponsored enterprises had asked for 190 billion dollars in aid from the U.S. government since they were put under conservatorship in 2008 after suffering heavy loss from the collapse of the subprime mortgage market.

The two companies own or guarantee about half of all mortgages in the United States, or nearly 31 million home loans. Along with other federal agencies, they backed nearly 90 percent of new mortgages over the past few years.
Is Housing Finance Reform Coming at Last?
By Michael Barr
Yahoo! Finance
March 4, 2013

With the nation’s focus on the latest fiscal crisis in Washington, Congress has paid scant attention to necessary reforms to Fannie Mae and Freddie Mac. The Bipartisan Policy Center’s Housing Commission just released its report on housing finance reform, and it should help refocus attention to this crucial issue.

As we move to overhaul housing finance, let us remember how we got to this point. Private risk-taking led to a race to the bottom unconstrained by either market discipline or government oversight. Weak regulation was a recipe for a vicious cycle of deteriorating standards in practices on all levels of the mortgage market: Lenders and brokers; Wall Street firms that packaged and securitized these mortgages; and the credit rating agencies that rated them.

Fannie Mae and Freddie Mac were eventually caught up in this destructive race. They had lost market share as standards deteriorated around them, and they made poor strategic choices to try to gain some of that market share back. They took on too much risk in order to grow their retained portfolios, increase returns, and inflate bonuses. The market did not discipline management's decisions because the market assumed Fannie and Freddie had a government backstop. And their regulator lacked standing and authority to substitute the discipline that was missing.

Passage of the Dodd-Frank Act in 2010 now gives regulators the necessary tools to clean up bad practices in the origination, servicing and securitization of mortgage loans. The Act should help end races to the bottom. And Fannie Mae and Freddie Mac are now under strict conservatorship. But unfortunately, legislative reform of Fannie Mae and Freddie Mac has remained stalled since their collapse in Fall 2008.

The Path Forward

Perhaps broad bipartisan agreement on a path forward can help to jumpstart the process.

Here’s where the unanimous panel of leading Republicans and Democrats agreed:

1. Fannie Mae and Freddie Mac, still under conservatorship, need to be gradually wound down and eliminated.

2. We need to get the private sector, through first-loss securitization, private mortgage insurance, and other means, to bear all but the catastrophic losses in housing, not taxpayers.

3. The 30-year fixed rate mortgage is an important option for American families. American homeowners are not the best bearers of interest-rate risk in our economy. To have a robust and liquid market for such mortgages for most households, there needs to be a government guarantee.

4. Public insurance, in the form of an explicit, fully funded guarantee of mortgage-backed securities meeting safe guidelines, should be provided. No more unfunded “implicit” backstops for private, shareholder owned entities playing “head’s I win, tails you lose.”
Public insurance would only step in if the mortgages defaulted and the private sector first-loss provider went broke.

5. Access to affordable and sustainable mortgage credit and affordable rental housing is a critical value, and should be funded in part by guarantee fees. A balanced approach to housing requires not only ownership but also rental options. Affordable rental housing also requires governmental support, a government guarantee for certain financing, and tax incentives.

These are important areas of agreement on the path forward.

What Can Existing Law Do?

There are, to be sure, details to be worked out. The insurance entity or “public guarantor” would need to be strong and independent, like the Federal Reserve or FDIC, funded through a portion of the guarantee fee. It would need to have sufficient supervisory and regulatory powers to make sure that the private sector played by the rules—on origination, servicing, securitization, and modifications. Capital requirements on the private-sector first-loss providers would need to be robust and strictly supervised by the public guarantor. We need to be sure that the new system is set up to serve the entire market fairly and efficiently. And the system needs to work well in times of stress, unlike the system we have had.

In the meanwhile, there are a number of steps that can and should be taken under existing law. Regulators need to put in place well-aligned rules for risk retention in securitization, ability-to-pay requirements for originations, and standards for loans to be guaranteed by Fannie Mae, Freddie Mac, and the Federal Housing Administration. New servicing standards, including rules regarding loan modifications, need to be strongly enforced, with careful attention paid to incentives in the system. The size limits for loans guaranteed by these entities need to be gradually reduced, so that fully private securitization predominates in a broader “jumbo” mortgage market. Guarantee fees need to match risks and costs, and not be siphoned off by the Congress for other purposes. The retained portfolios of Fannie Mae and Freddie Mac need to continue to be reduced.

The Senate also needs to confirm permanent Directors for the Federal Housing Finance Administration (the regulator of Fannie Mae and Freddie Mac) and for the Consumer Financial Protection Bureau (responsible for overseeing consumer protection in the mortgage markets).

Now Congress needs to come together around long-needed housing finance reform.

*Michael S. Barr is Professor of Law at the University of Michigan Law School and a Senior Fellow at the Brookings Institution and the Center for American Progress. He served as Assistant Secretary of the Treasury 2009-2010 and was a key architect of the Dodd-Frank Wall Street Reform and Consumer Protection Act.*