

Foreclosure-Relief Plan Gains

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WASHINGTON -- A House panel Wednesday approved \$15 billion in loans and grants for local governments to purchase the growing number of foreclosed homes throughout the country.

The House Financial Services Committee voted 38-26 in favor of the bill, part of a broader package of housing legislation being pushed this week by House Democrats to address the housing crisis. Earlier Wednesday the panel voted to provide legal protection in certain circumstances for mortgage servicers that work with borrowers facing foreclosure.

Passage came despite the opposition of some panel Republicans, who argued that using federal funds to buy foreclosed homes could encourage foreclosure.

"I don't think we ought to be incentivizing foreclosure," Rep. Spencer Bachus, (R., Ala.), said.

Committee Chairman Barney Frank, (D., Mass.), said that provisions of the bill, including a requirement that purchased homes be at least 60 days into the foreclosure process, would prevent abuse. More importantly, he said, lawmakers need to do more to help local governments dealing with eroding tax bases and maintaining foreclosed homes.

"Cities are being badly hurt and this is the only vehicle proposed that goes to the aid of the cities and counties," Mr. Frank said.

The \$15 billion would be split equally between loans and grants, which would be distributed to states based on their percentage of nationwide foreclosures, median home price and other factors. Government-run entities and not-for-profit organizations would be eligible for the money, which could be used for the purchase, rehabilitation, and resale or rental of the housing.

At least half of the grant money, or \$3.75 billion, would be directed specifically to housing low-income families who make 50% or less of an area's adjusted median income.

Republicans raised concerns about the price of the legislation, saying it would only add to growing federal deficits.

"Putting aside the issue of how a large new federal program with a price tag of approximately \$15 billion would be paid for, the bill's ultimate beneficiaries are likely to be the lenders, investors and speculators who own the vacant or foreclosed properties," Mr. Bachus said.

Mr. Frank noted, however, that the measure does allow the federal government to be repaid on the

zero-interest, nonrecourse loans. Loans for homeownership properties would need to be repaid within two years, while loans used to create rental housing would have a maximum loan period of five years. Additionally, the federal government would receive 20% of any appreciation a property owner realizes at resale.

The panel rejected amendments offered by Republicans that would have required all \$15 billion to be loans, and a measure requiring states to match all funds received from the federal government.