



Bailout neglects little guy, some say

By George Avalos
staff writer

Article Last Updated: 10/01/2008 08:41:52 AM PDT

Related Links

- ci_10601226
- Live Chat:** What do you think about the bailout plan? Are you worried about the economy and your investments? Chat live with columnist Chris O'Brien at 11 a.m. to noon Wednesday.
- Vote:** Do you agree with the House's decision on the bailout bill?

Jose Silva is ruefully aware that his Livermore residence isn't worth what he paid for it. He knows he has to bear the responsibility for a mortgage that has soured.

Yet what really irks Silva is the perception that Congress wants to ensure it bails out banks, rescues big investors, soothes Wall Street and punishes executives. Silva and others say Congress doesn't seem worried about homeowners as it crafts legislation for a \$700 billion bailout of the struggling financial industry in a quest to remedy the credit crunch.

"The way they did this bailout is very disappointing," said Silva. "Helping homeowners is the first thing they should have looked at."

Silva is far from alone. An array of homeowners,

real estate executives and economists say the bailout foundered partly because politicians fashioned a bill that provides little relief for homeowners bedeviled by financial gremlins that lurk in their mortgages.

"They are not doing enough at all," said Carl Desrosiers, a Brentwood resident who faces sharp and steady increases in the mortgage for the home he and his wife own. "They are going to help the banks, all of these executives, and Wall Street. They are not going to help the middle class person who is struggling to make payments."

Other East Bay residents opposed the bailout on principle. Debbie DeSousa of Clayton said she believes Congress is making a mistake in seeking to create sweeping government powers over the financial markets.

"Government should not tell a business how to operate," DeSousa said. "That is socialism. If they go and tell the lenders that they have to restructure the mortgages in a certain way, that is interfering with their business."

Rank-and-file members of the House of Representatives rejected entreaties from the president and congressional leaders and voted down the proposed bailout on Monday.

The stunning result left members of Congress with plenty to ponder about how the bailout might be resculpted.

"The federal government will go out and buy billions and billions of dollars of mortgages of people who are in foreclosure or face the threat of foreclosure," said Rep. George Miller, D-Martinez. "We hope that as the major holder of these loans, we can exert greater influence to get those loans rewritten or refinanced to keep people in their

Advertisement



10% OFF

Renee's Flower/Veg Seed Packs

Coupon Valid 10/8/08 thru 10/26/08




Excludes Major Home Appliances. Good toward the purchase of regular, sale and clearance priced merchandise. Not valid on gift cards, labor, merchandise replacement agreement, Great Price Items, installed home improvements, special orders, repair service, and protection agreements or as payment on any OSH credit card account. May not be used with any other coupon or offer. Must present coupon for discount. Redeem at participating Orchard Supply Hardware Stores. One coupon per purchase. One coupon per person. Customer pays applicable sales tax. Cash value 1/10¢. Void if copied or transferred and where prohibited by law. Any other use constitutes fraud. In the event of a return, coupon savings may be deducted from your refund. ©2008, Orchard Supply Hardware.

CP007

Print Powered By FormatDynamics™



homes and making payments."

Miller voted for the measure. Another East Bay member of the House, Rep. Barbara Lee, D-Oakland, voted no. She couldn't be reached for comment Tuesday; however, her office provided a prepared release that stated her concerns.

"This bailout plan is not the solution to this mess," Lee said. "It does little to address the underlying problem — the foreclosure crisis. We need a moratorium on foreclosures and bankruptcy reform to help people stay in their homes."

Rep. Miller said he backs the idea of letting homeowners use bankruptcy courts to restructure loans when they face foreclosure. But negotiators did not include that provision.

"Right now, you cannot put your primary home into a bankruptcy proceeding," Miller said. "Homeowners should have a right to go into bankruptcy court and renegotiate these loans."

Some economists say a bailout is not needed. Christopher Thornberg, an economist and co-owner of Beacon Economics, said the credit crunch could be eased if the Federal Reserve uses existing powers such as the discount window. That function of the Fed allows banks to receive loans to ease credit strains.

"I'm glad they voted this down," Thornberg said. "This would have been a disaster from the get-go. The idea of using taxpayer money to keep these banks whole is an abomination."

Still, if a bailout is passed, and the frozen credit markets start to thaw, people could find it easier to obtain a credit card or a vehicle loan. People who want to buy a home could purchase mortgages more readily.

"By freeing up liquidity, banks could have more money to lend," said John Holmgren, president of Oakland-based mortgage firm Holmgren & Associates. "That would primarily benefit new homeowners. But there is nothing that directly helps home owners who are in trouble now."

That's cold comfort for homeowners such as Silva, the Livermore resident. He faces big increases in his mortgage payment in about four years.

"It's my fault. I wanted a nicer home in a better community. I figured my home would increase in value," Silva said. "But the politicians forget that we're the consumer. We're the ones who purchased these loans. When we make our payments, we are the ones who put the money in the pockets of the banks."

Reach George Avalos at 925-977-8477 or gavalos@bayareanewsgroup.com.

Advertisement



20% OFF
All Night Lights

Coupon Valid 9/19/08 thru 9/30/08



Excludes Major Home Appliances. Good toward the purchase of regular, sale and clearance priced merchandise. Not valid on gift certs, labor, merchandise replacement agreement, Great Price items, related home improvements, special orders, repair service, and protection agreements or as payment on any OSH credit card account. May not be used with any other coupon or offer. Must present coupon for discount. Redeem at participating Orchard Supply Hardware stores. One coupon per purchase. One coupon per person. Customer pays applicable sales tax. Cash value 100¢. Void if copied or transferred and where prohibited by law. Any other use constitutes fraud. In the event of a return, coupon savings may be deducted from your refund. ©2008 Orchard Supply Hardware.

Sales Associate: Please collect this coupon. If unable to scan, manually enter the coupon number.

CP003

Print Powered By  FormatDynamics™