

# Housing bill getting favorable reviews

By Kevin Smith, Staff Writer

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DEPRESSED: This home at 12832 Lambert Rd. in Whittier, photographed on Wednesday, July 23, 2008, is listed only at what the land is worth, reportedly \$148,000. (Staff Photo by Raul Roa)

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A sweeping bailout package that gained House approval on Wednesday won't necessarily turn the nation's sagging housing market around.

But the legislation - designed to help some 400,000 struggling homeowners avoid foreclosure while pumping cash into ailing mortgage giants Fannie Mae and Freddie Mac - is a step in the right direction.

That's the assessment of Steve Johnson, who heads the Southland region of Metrostudy, a housing market research firm.

"I think it's the first step of many that we need to take," Johnson said. "It will resolve the wave of foreclosures that are continuing to bring home values down."

And that wave, he said, is far from over.

"I would say there are still tens of thousands more foreclosures coming in Southern California," he said. "I don't think we've bottomed out yet."

The numbers bear that out. On Tuesday, DataQuick Information Systems reported that lenders sent out twice as many notices of

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foreclosure in California during the second quarter compared with the same period last year.

That equates to 121,341 notices given from April 1 to June 30, up from about 54,000 during last year's second quarter.

The bill approved Wednesday would let hundreds of thousands of homeowners trapped in mortgages they can't afford on homes that have plummeted in value try to escape foreclosure by refinancing into more affordable, fixed-rate loans backed by the Federal Housing Administration.

Beth Peerce, treasurer for the California Association of Realtors, figures it's a good thing.

"This would stabilize the market so that the only homes that come up on the market are homes that people want to sell," she said.

And once the market has stabilized, prices will naturally begin to rise,

Peerce said.

"Prices will tend to go up and the number of days homes stay on the market will drop," she said. "This can also stop neighborhoods from deteriorating."

Peerce said the rescue package also raises the conforming loan limit for loans guaranteed by Fannie Mae and Freddie Mac to \$625,000, up from \$417,000.

Emergency legislation passed earlier this year hiked the conforming loan limit to \$729,750, she said, but that cap was set to expire at the end of the year.

"Having the loan cap higher makes the loans more saleable," she said. "With Fannie Mae and Freddie Mac guaranteeing them, more investors will buy the loans, which makes more money available to homeowners."

Johnson said he also supports a provision in the bill that would funnel an unlimited line of credit to Fannie

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Mae and Freddie Mac.

The two companies, chartered by Congress, back or own \$5 trillion in mortgages - nearly half the nation's total.

Congressional analysts estimate that a government rescue of the mortgage giants could cost as much as \$25 billion.

"I think it's important to the American financial system to save Fannie Mae and Freddie Mac," Johnson said. "All of those costs will be borne by the American public through various taxes in the future ... but we really can't afford to have Freddie and Fannie fail."

Christopher Thornberg, a principal with the economic consulting firm Beacon Economics, expressed a decidedly different view.

"This scares the crap out of me," he said. "If you start lending money to an insolvent company, let's call it what it is."

Thornberg said the move is essentially a bailout for bondholders - including insurance groups, pension funds and foreign investors.

"They are fundamentally guaranteeing those bonds using taxpayer money," he said.

But Johnson figures Wednesday's legislation was sorely needed.

"The biggest challenge will be to re-establish confidence in the financial system so that lenders are again confident and will free up their money," he said. "This has created a serious problem for Americans who want a buy a home. It's been a very restrictive environment."

### What others are saying

"The goal of this bill is to help keep families in their homes and stop the further deterioration of the communities we hold so dear. I will do everything in my power to make sure this bill does that job, but if

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more legislation is needed I will not hesitate to fight for it."

- Sen. Barbara Boxer

"This is just one of the solutions to the crisis and it's an important step. We must bring federal, state and local agencies together with nonprofits, neighborhood associations, lenders, homeowners and others to find long-term solutions."

- Grace Napolitano, D-Santa Fe Springs

"I am proud that Congress is moving forward with comprehensive housing legislation that will assist homeowners facing foreclosure, help strengthen the housing market, and provide resources to cities and states to purchase foreclosed properties."

- Hilda Solis, D-El Monte

"With the collapse of IndyMac, headquartered in my district, I have heard from many constituents concerned about the security of their

savings, retirement funds and the housing market. The (bill) will help families facing foreclosure keep their homes."

- Adam Schiff, D-Pasadena

The Associated Press contributed to this report.

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