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MORTGAGES

Senate passes mortgage relief bill

The measure is overwhelmingly approved despite acknowledgment that it falls short in aiding homeowners. The House is working on its own version.

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WASHINGTON — The Senate passed legislation Thursday aimed at addressing the nation's housing crisis -- setting the stage for thorny negotiations with the House, where Democrats are pushing a more sweeping measure tilted more toward aiding borrowers at risk of losing their homes.

The measure was overwhelmingly approved, a sign of Congress' election-year anxiety over the wave of foreclosures and falling home prices that have contributed to the economic downturn.

But the bill has drawn widespread criticism. Consumer groups complain it doesn't do enough to aid distressed homeowners. The White House has been unenthusiastic. And Democratic presidential candidates Sens. Barack Obama and Hillary Rodham Clinton expressed disappointment that the bill was lopsided in providing tax breaks to the home-building industry.

Though Senate Democrats said the Foreclosure Prevention Act was the best they could pass in short order in a narrowly divided chamber, their fellow Democrats in the House are working on their own version of a rescue plan.

"Quite candidly, what we have done does not quite live up to the title," Sen. Christopher J. Dodd (D-Conn.), chairman of the Senate Banking Committee, acknowledged. "We do some things but not enough." But he pledged that more relief measures would follow.

The Senate bill would provide tax breaks to home builders and buyers of foreclosed properties. It would provide \$4 billion for local governments to buy and fix up abandoned properties, a provision that is intended to prevent neighborhood blight but has been assailed as a bailout for lenders and speculators.

The Senate measure also includes a number of provisions that enjoy support on both sides of the Capitol and are likely to end up in any final bill that emerges from House-Senate negotiations.

These include state authority to issue an additional \$10.9 billion in tax-exempt bonds to refinance sub-prime mortgages and provide mortgages for first-time home buyers, providing \$180 million for counselors to help borrowers avoid foreclosure, increasing the length of time a lender must wait before beginning foreclosure proceedings on a home owned by returning war veterans, and permanently raising the amount of the maximum mortgage that can be backed by the Federal Housing Administration.

House leaders are working on a measure that would provide up to \$300 billion in federal guarantees to refinance troubled mortgages and \$11 billion in tax breaks to stimulate the housing market and help homeowners avoid foreclosure. The House is also considering an interest-free loan of as much as \$7,500 for a first-time home buyer.

Although its bill is less ambitious than the House version, the Senate's 84-12 approval of the Foreclosure Prevention Act was a sharp turnabout from a few weeks ago. At that time, lawmakers were mired in partisan gridlock over how Congress should intervene in the housing crisis, if at all, to stem the rising tide of foreclosures.

But the Federal Reserve's rescue of Wall Street investment bank Bear Stearns Cos. last month created a new sense of urgency among lawmakers from both parties to show they were doing something to respond to the housing crisis.

Sen. Richard C. Shelby of Alabama, the top Republican on the Senate Banking Committee, worked with Dodd in drafting the bipartisan compromise. He warned colleagues, "I intend to further examine closely any proposals to further expose the American taxpayer to the risks freely incurred by individuals and investors."

White House spokesman Tony Fratto said the bill had "many more weaknesses than strengths." He said Congress should shape a bill that focuses on "modernizing the Federal Housing Administration, expanding mortgage revenue bonds and reforming oversight of Fannie Mae and Freddie Mac."

Obama, of Illinois, called the bill a "start" but complained about the "heavy hand of special interests" in shaping the measure.

Clinton, of New York, also praised provisions of the bill but said the measure should represent "the floor, not the ceiling," for congressional action.

A spokeswoman for the presumptive Republican presidential nominee, Sen. John McCain of Arizona, said the senator opposed the tax break for home builders but would have voted for the bill had he not been on the campaign trail.

The \$6-billion tax break to aid the home-building industry would allow builders and other businesses affected by the housing slump to charge off losses this year and next against taxes paid for the four previous years, instead of the two years currently allowed.

Jerry Howard, chief executive of the National Assn. of Home Builders, defended the tax break as an important step to preserve jobs and stabilize the housing market.

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