Editorial

Keeping Americans in Their Homes

- comments (36)
- Sign In to E-Mail or Save This
- Print
- Share
  - Del.icio.us
  - Digg
  - Facebook
  - Newsvine
  - Permalink

Published: November 19, 2007

The nation's housing market is in a deep recession, and further declines in new construction, sales and prices are imminent. By the end of next year, falling home values, combined with rising payments on adjustable mortgages, tighter lending conditions and, in all probability, a faltering job market, will have unleashed mass foreclosures — estimated at several hundred thousand to two million — unless something is done to help keep Americans in their homes.

Readers' Comments

> "We've been priced out of the hyper-inflated Bay Area housing market for years. I can't tell you how irritating it's been to live among the entitled "home equity" spendthrifts and real estate hype-agents, and now, to read about bailout programs to "rescue" the same so they may keep the over-priced homes they could ill-afford, and all to be funded by my taxes. "

Renter, Bay Area, California

- Read Full Comment »
- Post a Comment »

The Bush administration has no relief plan that is up to the frightening scale of this problem. And no one in the administration seems to feel much urgency. Administration officials often lowball the number of imminent foreclosures and question the significance of statistics on the housing downturn.

In a speech last week extolling the economy's strength, President Bush made just one reference to the battered housing market, calling it "challenged," and asserted that we can "deal with it" and other economic uncertainties, "particularly if we keep the taxes low."

Fortunately, some members of Congress do have a plan to help.

Senator Richard Durbin, Democrat of Illinois, recently introduced a bill that would allow bankruptcy courts to modify repayment terms on mortgages for primary homes. That could keep an estimated 600,000 troubled borrowers in their homes, paying off their mortgages, albeit over longer terms, at lower interest rates or on lower principal balances.

The bill also undoes a longstanding injustice. Under current law, mortgages on primary homes are the only type of secured debt that is ineligible for bankruptcy protection. Owners of vacation homes, farms and commercial property can modify those debts in bankruptcy court. But not your everyday homeowner. Under any circumstances, that double standard should not be allowed. With a foreclosure debacle unfolding, it must be rectified.

There are worrying signs that the White House will oppose the reform. Opponents will likely argue that modifying troubled mortgages in bankruptcy may pose a threat to the legal sanctity of other contracts. That makes no sense. Contracts are modified every day in bankruptcy court. A mortgage on a primary home is not significantly different from other secured debt.

The mortgage industry is already warning that granting bankruptcy protection to most mortgages would raise borrowers' costs. That doesn't make much sense either. The total economic costs of foreclosure are much greater than bankruptcy-associated costs. The cost of making sound loans could drop if the Durbin bill became law.

Senator Durbin's reform bill must move through the Judiciary Committee, which has jurisdiction over bankruptcy issues. The committee's chairman, Senator Patrick Leahy of Vermont, should schedule a full committee hearing as soon as Congress returns from the Thanksgiving break. There is no time to lose.

Next Article in Opinion (2 of 19) »

Tips

To find reference information about the words used in this article, double-click on any word, phrase or name. A new window will open with a dictionary definition or encyclopedia entry.

Past Coverage

- As Owners Feel Mortgage Pain, So Do Renters (November 18, 2007)
- Fed Chief Warns Of Worse Times In the Economy (November 9, 2007)
- Homeowners Feel the Pinch Of Lost Equity (November 8, 2007)
- Dubious Fees Hit Borrowers In Foreclosures (November 6, 2007)

Related Searches

- Housing
- Foreclosures
- United States Politics and Government
- Mortgages

Next Article in Opinion (2 of 19) »