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Calif. lawmakers to Obama: Do more to solve foreclosure crisis

By Michael Doyle

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WASHINGTON — Dissatisfied California lawmakers are pressing the Obama administration for more aggressive solutions to the foreclosure epidemic ailing the state.

It could get very expensive. But the alternative, lawmakers warn, could be continued hardship for California residents and sustained political trouble for the president.

In a concerted show of strength, 16 California House Democrats gathered Wednesday to bolster the case for more help. They want a meeting with the president, an infusion of new blood and specific relief for financially troubled homeowners.

"The administration has been playing footsie on this topic," complained Rep. Dennis Cardoza, D-Merced, adding that he is "most concerned about the competency" of key administration officials.

In particular, the disgruntled Californians reiterated Wednesday their prior demands that Obama replace Edward DeMarco, the acting director of the Federal Housing Finance Agency. So far, Senate Republicans have blocked appointments.

The Californians are calling, as well, for an administration move to reduce the mortgage principal owed by homeowners who are under water, meaning they now owe more than the home is worth. Obama's tentative solutions proposed Tuesday in his State of the Union address were greeted as well-intentioned but inadequate.

"It's not good enough to deal with the problem," said Rep. Mike Thompson, D-St. Helena. "It's not good enough to keep people in their home."

In the four-county area around Sacramento alone, more than 40 percent of home mortgages are underwater. In some San Joaquin Valley counties, Cardoza added, the underwater number jumps above 50 percent.

Statewide, 61,517 notices of default were filed in the last three months of 2011, according to data released this week by DataQuick. These notices, the first step in the formal foreclosure process, dropped from the same period in 2010, but they are still high by historic standards.

"Our constituents have been through enough," said Rep. Doris Matsui, D-Sacramento.

Obama devoted three paragraphs of his 76-minute State of the Union speech to the home mortgage issue, promising to send Congress "a plan that gives every responsible homeowner the chance to save about \$3,000 a year on their mortgage" by refinancing at low rates.

Obama offered no further details, other than to say his bill would be financed by "a small fee on the largest financial institutions." This proposed fee on the politically influential financial industry, combined with inevitable election-year turmoil and the competing priorities of Republicans who control the House, present big hurdles to passage.

"I think the president lacked leadership in confronting our nation's most pressing issue, our debt," Rep. Ed Royce, R-Fullerton, a senior member of the House Financial Services Committee, declared, illustratively, in a post-speech statement.

As an alternative to fighting with Congress, California Democrats want Obama to take executive action on his own, with Rep. Jerry McNerney, D-Pleasanton, calling on the president to present a "real plan for reducing the principle owed on underwater homes."

So far, though, the administration has resisted one proposed solution, that the government-sponsored enterprises known as Fannie Mae and Freddie Mac forgive the mortgage principal on loans they own or guarantee. Nationwide, about 3 million such loans are currently underwater.

"Principal forgiveness for all of these mortgages would require funding of almost \$100 billion to pay down mortgages to the value of the homes securing them," DeMarco wrote Thompson and other lawmakers late last week.

DeMarco further noted that "any money spent on this endeavor would ultimately come from the taxpayer," while Rep. Zoe Lofgren, D-San Jose, responded skeptically Wednesday that "it's hard to see" where DeMarco got his \$100 billion cost estimate from.