



Consumer Federation of America

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WHITE HOUSE SPEECH REAFFIRMS HOUSING'S IMPORTANCE FOR CONSUMERS, GOVERNMENT'S ROLE IN PROTECTING MIDDLE CLASS RENTERS AND HOMEOWNERS

Washington D.C. -- President Obama's speech today outlining a coordinated set of initiatives to build on the housing economy's emerging recovery is an important step in reaffirming housing's importance to American consumers, whether they are renters or owners, the Consumer Federation of America said today in a statement released after the speech in Phoenix, AZ.

"Access to sustainable, affordable home finance has been a fundamental supporting pillar of the American dream," said Barry Zigas, CFA's Director of Housing Policy. "President Obama's speech reaffirmed that fact. The policies he outlined are important, positive steps that will help Americans build economic and family security through a strong and resilient housing economy."

Importantly, Zigas noted, Obama's speech recognized that while the overall economy shows steady improvement, and housing prices have stabilized or even increased significantly in many markets, millions of American homeowners remain mired in the wreckage left by a spree of unregulated, unscrupulous speculation and reckless behavior by Wall Street banks, mortgage brokers and investors. The speech promised much needed continuation of existing rescue programs like HAMP and HARP, and increased focus on spending the \$7.6 billion provided to the so-called "hardest hit states" with the highest rates of home foreclosures.

"The banking system has been too slow to rectify the mistakes that led to the financial crisis," Zigas said. "We applaud the fact that more than 1 million homeowners have received mortgage modifications under HAMP, and several million more reduced their mortgage payments through refinancing into lower interest rates. But much more remains to be done, and today's speech gives those families renewed hope that help is on the way."

The speech also focused on the high rent burdens facing increasing numbers of renters, including middle income wage earners. Families' ability to save for important life events, including education, retirement and the down payment for a home is compromised if their rent eats up most of their paycheck.

“The Low Income Housing Tax Credit and rental assistance programs are critically important in our current economy, where stagnant wages and persistent under-employment challenge even the most dedicated housing developers,” Zigas said. “Support for existing programs, and expanding them, even in a constrained budget environment, is an investment in critical economic and social infrastructure.”

Access to Mortgage Credit

Millions of consumers today are locked out of mortgage financing because lenders and Fannie Mae and Freddie Mac have reacted to the mortgage crisis by going too far in restricting credit. The President’s call for clarity in underwriting and credit decisions is important, but needs to be accompanied by an equally forceful message to the lending community that the billions of dollars extended by the federal government to restore their balance sheets must be coupled with a commitment by those same banks to help everyday American families with sustainable, affordable loans.

“Credit today is far tighter than it was when homeownership rates were rising and responsible, sustainable credit was available through fully documented, long term fixed rate loans in the 1990’s and early 2000’s,” Zigas said. “Lenders need to get back in the market with those products. Today’s speech is a good step, but this dance requires both partners to get on the floor.”

Mortgage Finance Reform

Today’s speech is the Administration’s first policy proposal on the future of the US mortgage finance system since its White Paper in 2011. That paper outlined a series of options, but did not endorse a specific approach.

“Today’s speech puts the Administration squarely behind the important role that government must play in assuring that consumers of the future enjoy the same access to affordable, sustainable mortgage credit that their parents and grandparents did,” Zigas said. “The President’s announced proposals track closely those of the Bipartisan Policy Center’s housing commission, and proposals made by many organizations in recent years, including CFA,” Zigas noted. (Zigas serves as a member of the BPC housing commission.) “Together with emerging bipartisan proposals like that offered in the Senate by Sens Corker, Warner and their colleagues today’s announcement should accelerate the important work of restoring a durable housing finance structure for US consumers.”

FHFA Leadership

CFA strongly supports the President’s call for swift action on the pending nomination of Rep. Mel Watt to be Director of the Federal Housing Finance Agency (FHFA). “As overseer of

the two biggest sources of mortgage financing for consumers today,” Zigas said, “it is long past time when the agency should be led by an appointed and confirmed Director. CFA joins the White House in urging Senate action on the pending nomination.”

The Consumer Federation of America is an association of nearly 300 nonprofit consumer organizations that was established in 1968 to advance the consumer interest through research, advocacy, and education.