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Obama to insist market provides 30-year mortgages

By [Zachary A. Goldfarb](#), Published: August 5

President Obama on Tuesday will for the first time insist that any future housing system in the United States makes 30-year mortgages widely available to borrowers, senior administration officials said, preserving a linchpin of the American economy but also continuing to expose taxpayers to risk from another housing meltdown.

Obama previously called for the end of Fannie Mae and Freddie Mac, the mortgage finance giants that have helped ensure the availability of 30-year mortgages for generations. He has not said, however, what system should replace Fannie and Freddie — and that raised concerns that the 30-year mortgage might disappear, because banks have been unwilling to lend for such a duration without a government guarantee.

Traveling to Phoenix on Tuesday, Obama is planning to call for a new system, built in part on government backing, that will enable wide access to 30-year mortgages, which are a rarity in other countries. That will require, officials said, some form of government guarantee that means lenders will be reimbursed by taxpayers in the event of a housing catastrophe like the one that occurred several years ago.

“There does need to be the support and security in our system that keeps stability in the 30-year fixed-rate mortgage, which has been the opportunity for homeownership for many millions of families,” a senior administration official said Monday, speaking on the condition of anonymity ahead of the president’s speech.

Obama traveled to Phoenix shortly after coming to office in January 2009 to announce a plan to help arrest the millions of foreclosures hurting the economy. His administration’s housing policies struggled to make a big difference in the economy, leading to continual revision. By late 2011 and 2012, the policies started to have more of an impact, aided by the Federal Reserve’s extraordinary efforts to keep interest rates low.

During the past two years, the housing market has begun to rebound, with far fewer foreclosures and more home sales. But with rates rising recently, there is concern in the White House that the recovery might lose steam.

On Tuesday, Obama will once again call on Congress to expand opportunities for more Americans to refinance — calls that have gone unheeded before. In particular, Obama wants Congress to allow more homeowners who owe more on their properties than their houses are worth to refinance.

Advisers said there is more pressure for Congress to act now that rates have started to increase, reducing the savings generated by refinancing. “This has added urgency now . . . with mortgage rates rising,” said the senior administration official.



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“The window is closing to be able to help millions of families who are already locked out of refinancing altogether.”

The White House also is working to make it easier for people with lower credit scores to refinance, given that today lenders are only willing to offer mortgages to people with the very best credit. That is leaving out a large group of borrowers who historically could afford to buy a home, even if they have had a negative mark or two on their credit record, housing analysts say.

But the housing finance proposal is likely to stir the most attention, since the administration has not previously come out strongly in favor of a 30-year mortgage and prolonged government guarantees.

The administration will make clear, officials said, that private capital — the money of investors, banks and other firms — will be the first to take losses if a borrower can't pay. Under this model, the taxpayer-backed guarantee would only kick in during a massive housing crash.

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