

No time to waste

by *The Milwaukee Journal Sentinel*

Congress has been talking about the mortgage crisis for months. Bills have been introduced, and a couple have passed the House. But so far, little has been done that would prevent a repeat of the mess or help homeowners who are in over their heads.

Action is needed now - for homeowners who deserve it as well as for the economy generally.

We laid out our prescription for a targeted and temporary economic stimulus last week (www.jsonline.com/708495). But tax rebates are little consolation to homeowners struggling to hang on. Congress should move quickly on the housing crisis as well - the match that lit the flame of this economic brush fire - and perhaps do so as part of a stimulus package.

An estimated 1.8 million borrowers face spiraling costs as their mortgages reset to higher rates over the next two years. Already, foreclosures are rising fast in some areas of Milwaukee. The Journal Sentinel's Marie Rohde and Ben Poston found that 1,000 Milwaukee County properties already have been scheduled for sheriff's sales in the first nine weeks of the year (www.jsonline.com/709341). Foreclosures leave boarded-up homes that sink property values and aggravate urban maladies such as arson and drug crimes. To its credit, the city is working with groups such as the Legal Aid Society to help homeowners, but this problem is too big to be tackled by cities alone.

Treasury Secretary Henry Paulson worked out a deal last month with the mortgage industry to freeze low introductory interest rates on some subprime loans for five years. Later, he suggested that the industry should consider expanding that aid to other borrowers. That was an important first step. We would like to see more.

Congress should do the following:

- Allow federal bankruptcy judges to modify mortgage terms. The Center for Responsible Lending, an advocacy group that has worked to curb predatory lending, believes this change could help keep 600,000 borrowers in their homes.

- Expand limits on Federal Housing Administration loans to help borrowers refinance.

- Require lenders to provide a one-page summary of key loan terms in plain English.

- Ban lenders from charging prepayment penalties and make them include taxes and insurance in their calculations.

- Require lenders to act in the best financial interest of borrowers. Too many people took out too many loans they had no business getting - loans for 100 percent of the value of a house with no money down, or "liar loans" that required no proof of income. Some lenders also committed fraud.

The government should extend reasonable help to those who need and deserve it - borrowers who live in their own homes.

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