# Frank's fumble

*by The San Diego Union-Tribune*

High in the running for Worst Bill Passed by the House of Representatives in 2008 is Massachusetts Democrat Barney Frank's measure. In the event the Senate approves this terrible legislation, President Bush wisely vows a veto.

The bad bare bones of Frank's proposal begin with committing taxpayers to pay a potential $300 billion to lenders who voluntarily refinance mortgages for 2 million homeowners threatened by foreclosure. Participating lenders could refinance no more than 85 percent of the newly appraised, lesser value of the house. The 85 percent goes to the initial lenders but won't cover their loans based on higher appraisals.

Enticements to participate include refunding the past four years of taxes to lenders that rode high in the boom times, and barring suits by their shareholders for revenue lost to loan modifications.

Taxpayers, meanwhile, would insure millions of borrowers who are eligible for subprime loans only, often a sign of poor credit risk. To no avail, House Republicans suggested a cutoff point for applicants with particularly bad credit. Even the bailout's proponents predict $6 billion in losses on these refinanced mortgages, a hefty chunk for a tiny percentage of the entire package. They approved higher Federal Housing Administration fees intended to cover losses from defaults, then added public funds for consultants on underwriting and eligibility criteria and, yes, more FHA personnel without that expertise. When a home is sold, the feds would get the higher of 3 percent of the FHA loan or a percentage of sale profits, which declines with each year of the refinance, going down to zero after five years.

Only in Washington are $6 billion losses acceptable and taxpayers' costs woefully underestimated.

Touching all political bases, this bill includes $10 billion in grants for states and localities to purchase, repair and resell foreclosed, vacant properties. Individual buyers must repay the loans in two years and pay the feds a fifth of any profits when they sell.

Last-minute amendments also would allow the sale of this rehabilitated property to housing commissions, nonprofits or private firms for rental, preferably to the "lowest-income individuals for the longest periods." It also would add new billions to boost construction of rental units and for-sale housing.

Buried in the bill are some supportable provisions: A year's wait to start foreclosure on military men and women just home from abroad; expert counseling for at-risk homeowners to avoid foreclosure; crystal-clear statements of amounts owed.

Approving these benefits hardly requires this bill's costs to taxpayers or its bailout precedent. Frank has admitted that "people made housing loans that shouldn't have been made." His bill invites their repetition.

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