

## A start in housing

*by The Milwaukee Journal Sentinel*

To shore up a shaky structure, start with the foundation. That's one of the tenets of President Barack Obama's ambitious housing rescue plan, which aims to help 9 million homeowners.

If it works, it could help many more people than that. The recession was triggered by the collapse of the housing market, and the economy likely won't revive until that market stabilizes.

Obama's plan would provide \$75 billion in direct payments as incentives to lenders to modify troublesome loans for borrowers who are at risk of foreclosure. It also would provide up to \$200 billion in backing for mortgage giants Fannie Mae and Freddie Mac, which are expected to help those borrowers who still can meet their payments to refinance their loans.

Obama also favors legislation that would allow federal bankruptcy judges to modify home loans. We've long believed that giving independent arbiters this power - within limits - makes sense. Judges already have the power to rewrite other consumer loans. The biggest effect of such a change might be simply encouraging more lenders to modify loans before borrowers reach bankruptcy court.

Will the Obama plan work? There certainly are doubts. A recent report from the comptroller general indicated that more than half of the loans modified last year by the nation's 14 largest banks were delinquent again within six months. Some borrowers are severely stressed, and there is a legitimate concern that assistance simply delays the inevitable. Furthermore, the plan would help only a small fraction of the 14 million homeowners whose loans are current but under water - who owe more than their homes are worth. Many may simply walk away and default.

But the administration needs to start somewhere. As many as 6 million families could lose their homes over the next three years without government help. This plan should do some good and help cushion the continuing slide in the market. But with about one in 10 home mortgages in the United States either delinquent or in foreclosure, time may be the only cure.

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