



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

February 26, 2008
(Senate)

STATEMENT OF ADMINISTRATION POLICY

H.R. 3221 - Renewable Energy and Energy Conservation Tax Act of 2007

(Rep. Pelosi (D) California and 18 cosponsors)

As amended by S. 2636 - Foreclosure Prevention Act of 2008

(Sen. Reid (D) Nevada)

The Administration understands that H.R. 3221 will be amended on the Senate floor by the substitution of the text of S. 2636, the Foreclosure Prevention Act of 2008, as introduced by Senator Reid. Earlier this month, Congress and the Administration worked expeditiously to pass the Economic Stimulus Act of 2008, a robust economic growth package that will put \$152 billion into the hands of American individuals and businesses in FY 2008. When the President signed that Act, he stated that Congress can further assist the housing sector by passing legislation quickly to modernize the Federal Housing Administration (FHA) and reform regulatory oversight of Fannie Mae, Freddie Mac, and the Federal Home Loan Banks. These bills have bipartisan support and are the appropriate next steps to address the housing downturn; Congress needs to make these important bills an immediate priority. As discussed below, the Administration strongly opposes many of the provisions in S. 2636 as unnecessary, costly, and counterproductive. If S. 2636 were presented to the President, his senior advisors would recommend he veto the bill.

The Administration strongly opposes the provision of S. 2636 that would appropriate \$4 billion for assistance to State and local governments for the redevelopment of abandoned and foreclosed homes through a new program in the Department of Housing and Urban Development (HUD). In addition to being extremely costly, this new program would constitute a bailout for lenders and speculators, while doing little to help struggling homeowners. This new program would also be slow to expend money and thus would not provide timely stimulus or immediate relief. In fact, it is more likely that this proposal would prolong the time it would take for the housing market to recover.

The Administration also opposes more than tripling the funding for the Neighborhood Reinvestment Corporation (NRC) in FY 2008 from its FY 2007 funding levels. Such an increase would tax NRC's capacity to effectively administer its programs, given that NRC has already received a 156 percent increase from its FY 2007 funding level.

The Administration strongly opposes providing bankruptcy judges with power to modify the terms of mortgages for debtors in bankruptcy proceedings. Amending the bankruptcy code in this manner would undermine existing contracts, leading to contraction in mortgage credit availability and affordability. These and other bankruptcy-related provisions in the bill would rewrite long-standing tenets of bankruptcy law in ways that would fundamentally alter the expectations of parties to hundreds of thousands of home purchases after the fact. These

provisions would also likely prolong the time it will take the market to recover from the current downturn.

The Administration proposed and supports a number of initiatives that are designed to help homeowners through the Nation's subprime mortgage crisis, including the HOPE NOW alliance, FHASecure, increased funding for housing counseling, and reforms to the Real Estate Settlement Procedures Act (RESPA). The Administration supports the Federal Reserve's proposed rule to improve disclosure requirements and develop new national standards for unfair and deceptive practices through its authority under the Home Ownership and Equity Protection Act. In addition, the Administration endorses the actions of the Federal banking regulators to improve underwriting criteria. The Administration looks forward to working with Congress on legislation such as FHA modernization and Fannie Mae, Freddie Mac, and Federal Home Loan Bank regulatory reform already moving through the legislative process.

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