



Obama Shafts Responsible Homeowners

And not only that. If you still own your home but it's worth a lot less than you owe on it, he's got even better news for you. The President, in league with the nation's attorneys general, has gotten the banks to agree to reduce what you owe.

Isn't that wonderful?! Why, it's almost like getting free money. What a wonderful deal our leaders have arranged.

Of course, it's only wonderful for people who bought more house than they could afford, got over their heads in debt, and are looking for someone to rescue them from their mistakes. And it's also a pretty good deal for the five huge financial institutions that are participating, as I'll explain in a moment. They'll get bailed out of their mistakes, too.



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That's who benefits. Now, let me tell you who loses. For the most thrifty and responsible among us, the deal stinks.

My friend Gary Bauer of Campaign for Working Families used an analogy that makes what happened crystal clear. Consider the case of two families who both bought a home on the same street several years ago. Both homes cost \$200,000. Couple No. 1 saved for years and denied themselves many extras so they would have \$40,000 for a down payment. And over the years, they faithfully made every mortgage payment on time, even though the value of their home fell below what they paid for it.

Couple No. 2 had no savings and couldn't put anything down. But they were able to get a no-money-down mortgage with an adjustable interest rate. As the economy tanked and their interest rate rose, they found it impossible to make their mortgage payments. They listened to the liberal rhetoric telling them it wasn't their fault and stopped making mortgage payments altogether.

Now comes the "fairness" President, announcing that the couple that sacrificed and made all their payments on time will get nothing. While the couple that wasn't as prudent or responsible will have the size of their mortgage and their interest rate on it reduced. If they have been evicted already, they will get a check for \$2,000.

So the thrifty and responsible homeowner gets nothing. But in fact he gets worse than nothing. Because when the dust settles, his home will have fallen in value just as much as the other guy's.

No wonder financial analyst Dick Bove told CNBC viewers that this is "the mortgage deal from hell." He said that the biggest lesson to learn from all of this is that "only fools meet their financial commitments." He further said, "If you're going to do something which is going to reduce the value of existing homes where people are making their payments, every American should stop making his payments on his [mortgages](#), send a letter to the Attorney General in his state and say 'I qualify to



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have my principal reduced because I'm not going to make any more payments on my house.' "

Boy, won't that make America a better place?

But if this is such a bad deal, why were five big banks so eager to join it? You will not be surprised to learn that this is as much a bank bailout deal as it is a help-the-homeowner deal.

David Stockman, Ronald Reagan's budget director, put it succinctly. "This is ultimately at the end of the day a bailout for JP Morgan and Wells Fargo" and other big underwriters of second mortgages and home-equity loans.

When a foreclosure takes place, these obligations become worthless. With refinancing, they won't. It's that simple.

Where is the money for this \$25 billion bailout coming from? Ally/GMAC, Bank of America, Citigroup, JPMorgan Chase and Wells Fargo will each put up \$5 billion. The President's plan, Stockman says rightly, is "the worst kind of crony socialism."

Pacific Investment Management Company, better known as Pimco, owns a ton of mortgage debt. Scott Simon, the head of mortgage investments there, says of the \$250 billion in their Total Return Fund, about half is in mortgage debt.

"A lot of the principal reductions would have happened on their loans anyway," Simon says. "And they're using other people's money to pay for a ton of this. Pension funds, 401(k)s and mutual funds are going to pick up a lot of the load."

Simon didn't mince any words about the morality, or lack of it, with the deal. "You tell your kid, 'you did something bad, so I'm going to fine you \$10. But if you can steal \$22 from your mom, you can pay me with that.'" That's the sort of deal our "fairness" President has foisted on us.

While I'm on the subject of rotten deals, let me say a few words about Obama's budget for the coming year. It's a lulu. Forget about the reduction in federal spending that the overwhelming majority of Americans wants to see. Obama's budget calls for a 0.2 percent increase in federal spending, for a total of \$3.8 trillion. Our gross domestic product is \$13.3 trillion.

Obama wants to spend almost one-fourth of all the money made by all of the production in this country. Every time a dollar changes hands for anything, Washington wants to take a quarter of it. (And if ObamaCare ever gets fully implemented, that ratio is sure to go higher. Pray that never happens. Or better yet, work like blazes to make sure we get a House and Senate this November that will make sure it doesn't.)

Federal revenues, according to the estimates of Obama's budget boys, won't begin to pay for all the money they want to spend. The estimated deficit for the year will hit be \$1.33 trillion. That would make four years in a row of annual deficits over \$1 trillion.

I don't plan to write much more about Obama's budget proposals, because there's little or no chance Congress will approve them.

While the President's budget is dead on arrival, that's not the case with his class-warfare, politics-of-envy, tax-the-rich rhetoric. You can expect a flood of the latter in the coming months. I'm very afraid it might be enough to get that "crony socialist" re-elected this fall.

Until next time, keep some powder dry.



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