



Written by on October 30, 2008

Government Will Bail Out Homeowners

Not wanting anyone left out, Federal Deposit Insurance Corporation Chairwoman Sheila Bair has also come up with a plan to assist the many homeowners who are in over their heads. With third-quarter foreclosures running 71 percent higher in 2008 than in 2007, Bair has created a plan that would have the government take care of homeowners who default. The plan is designed to keep those who can't pay their mortgages in the homes they likely should never have "bought" in the first place.

Testifying before the Senate Banking Committee, Bair pleaded, "We are falling behind. There has been some progress but it's not been enough." Senator Christopher Dodd (D-Conn.) became immediately enthused about the Bair plan. He wants federal money to help "deserving Americans escape the foreclosure trap." In other words, people who are in over their head with a mortgage they can't pay are "deserving Americans" who will effectively reach into the pockets and bank accounts of Americans who do pay their bills.



In addition to the proposals offered by Bair, Congress has already created the "Hope for Homeowners" plan that offers Federal Housing Administration guarantees for those with delinquent loans.

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As to where all this money will come from, the answer is never forthrightly given. But the truthful answer is that the U.S. Treasury will either borrow it (from China, Japan, or elsewhere), or the Treasury will print up some new securities that the Federal Reserve will purchase with freshly printed dollars. Summing up this situation, the money will either be borrowed or printed. There is no other alternative because the federal government is already awash in red ink and has no money to spend for any new programs.

One certain consequence of these new initiatives into the mortgage foreclosure arena will be a rush of others to foreclose, meaning those who can pay their bills will apply for help. Why shouldn't someone paying regularly for a mortgage not jump aboard the gravy train? If Joe Jones down the street is getting federal help to pay his mortgage, why not Pete Smith, even though Pete doesn't need the help?

The foreclosure problem stems largely from federal mandates requiring banks to give mortgages to people who had no business owning a home. The bubble had to burst, and it did. Now the federal government that never had any constitutional authority to be in the housing industry is making the



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problem more expensive for the aggrieved taxpaying population by picking up the tab for deadbeat homeowners.

Where will all this madness end? Either the American people will send to Washington elected officials who adhere to constitutional limitations, or all the gravy trains will end because the nation has self-destructed.

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