



Written by [Dennis Behreandt](#) on August 17, 2008

A Housing Bill of Horrors

This legislation added another new agency to the goliath federal bureaucracy, the Federal Housing Finance Agency (FHFA), to oversee and regulate three Government Sponsored Enterprises (GSEs): Fannie Mae, Freddie Mac, and the Federal Home Loan Bank System. The new FHFA is required to *consult the Federal Reserve* before issuing any regulations, orders, or guidelines concerning GSEs through 2009. Thus the Federal Reserve's power has been enhanced to cope with the disastrous Greenspan legacy.



An emergency monetary "bazooka" has been provided the Treasury for defending the viability of Fannie Mae and Freddie Mac. The Treasury secretary was given *open-ended* authority to increase the existing line of credit to Fannie and Freddie for 18 months. Ammunition for the monetary bazooka came through increasing the debt ceiling by \$800 billion (8.2 percent) to \$10.6 trillion. The Treasury was also given authority to buy stock in these two investor-owned companies through 2009, demonstrating open abandonment of free markets through governmental manipulation of the price of select stocks. Rep. Ron Paul expressed concern about the lack of effective standards for congressional oversight of the Treasury's expenditures. Congress has relinquished significant control over the federal purse strings.

Three hundred billion dollars for FHA loan guarantees was also authorized through fiscal year 2011 to assist borrowers at risk of foreclosure to refinance into affordable fixed-rate mortgages. The plan requires that voluntarily participating lenders take a write-down on each existing mortgage off-loaded to the FHA lender. The government or *taxpayers* are then liable for losses on subsequent defaults by those borrowers, some of whom entered into their original loan agreements irresponsibly and/or through lenders that competed using disreputable practices encouraged by government policies.

Authority was also provided for \$3.9 billion in grants to state and local governments to buy abandoned and foreclosed residential properties. Builders and lenders otherwise saddled with those properties



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should benefit.

The housing bill also included provisions that advance a surveillance state. A Nationwide Mortgage Licensing System and Registry was created. Among the information to be collected in its database will be the fingerprints of people working as loan originators, which in its broadest sense could mean all workers in the mortgage industry. Lastly, all credit-card transactions will now be reported to the IRS, to facilitate better taxpayer compliance concerning credit/debit card transactions, thus to increase tax revenues and help offset the spending provided in the bill. As Rep. Ron Paul said, "The trend is not good."



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