

MCCAIN'S HOUSING SURGE

Almost no one on the left is talking about McCain's attempt to seize the economic debate last night (conservatives would be, but they heard it and went into shock). But it's a funny gimmick that deserves closer attention. Here's what McCain proposed:

Shaffer: With the economy on the downturn and retired and older citizens and workers losing their incomes, what's the fastest, most positive solution to bail these people out of the economic ruin?

[snip]

McCain: Well, thank you, Tom. Thank you, Belmont University. And Sen. Obama, it's good to be with you at a town hall meeting.

And, Alan (ph), thank you for your question. You go to the heart of America's worries tonight. Americans are angry, they're upset, and they're a little fearful. It's our job to fix the problem.

[McCain babbles about energy independence, taxes, and our debt before he hits his housing plan]

We've got to have a package of reforms and it has got to lead to reform prosperity and peace in the world. And I think that this problem has become so severe, as you know, that we're going to have to do something about home values.

You know that home values of retirees continues to decline and people are no longer able to afford their mortgage payments. As president of the United States, Alan, I would order the secretary of the treasury to immediately

buy up the bad home loan mortgages in America and renegotiate at the new value of those homes – at the diminished value of those homes and let people be able to make those – be able to make those payments and stay in their homes.

Is it expensive? Yes. But we all know, my friends, until we stabilize home values in America, we're never going to start turning around and creating jobs and fixing our economy. And we've got to give some trust and confidence back to America.

I know how to do that, my friends. **And it's my proposal, it's not Sen. Obama's proposal, it's not President Bush's proposal.** But I know how to get America working again, restore our economy and take care of working Americans. Thank you. [my emphasis]

Mind you, this was McCain's answer to the **first** question—he had come into the auditorium, gone immediately to his notepad to write down whatever he was coached on backstage, and then given this answer to the first question. As Andrea Mitchell reported after the debate, the McCain team had told her this was a big new idea that—they hoped—was going to help them reclaim the discussion on economics.

In other words, this was supposed to be the one policy idea that viewers and pundits took away as "news."

Now, on NPR this morning, they reported from a debate watching party in New Mexico where this worked with two guys—they cited McCain's housing plan as a detailed proposal that made them believe McCain had solutions. But aside from those two guys in New Mexico, conservatives melting down over this answer, and Andrea Mitchell (who was told directly this was a big new idea), no one seemed to notice.

That's probably partly because McCain—no doubt

instructed to highlight this as the big new thing—buried it at the back of an incoherent answer.

Folks probably also missed this big new plan because—as Obama pointed out—this is not new. In spite of what McCain said about this being **his** proposal, the plan is already in the bailout:

Obama: And that's why it's going to be so important for us to work with homeowners to make sure that they can stay in their homes.

The secretary already has the power to do that in the rescue package, but it hasn't been exercised yet. And the next president has to make sure that the next Treasury secretary is thinking about how to strengthen you as a home buyer, you as a homeowner, and not simply think about bailing out banks on Wall Street.
[my emphasis]

(Here's an Obama statement calling for such authority on October 1.)

Shorter McCain! Big news! I'm going to implement the plan passed last week!

It gets better, though, when you read the fine print:

AMERICAN HOMEOWNERSHIP RESURGENCE PLAN

John McCain will direct his Treasury secretary to implement an American Homeownership Resurgence Plan (McCain Resurgence Plan) to keep families in their homes, avoid foreclosures, save failing neighborhoods, stabilize the housing market and attack the roots of our financial crisis. America's families are bearing a heavy burden from falling housing prices, mortgage delinquencies, foreclosures and a weak economy. It is important that those families who have worked hard enough to finance homeownership not have that dream

crushed under the weight of the wrong mortgage. The existing debts are too large compared to the value of housing. For those that cannot make payments, mortgages must be restructured to put losses on the books and put homeowners in manageable mortgages. Lenders in these cases must recognize the loss that they've already suffered.

The McCain **Resurgence** Plan would **purchase mortgages directly from homeowners** and mortgage servicers, and replace them with manageable, fixed-rate mortgages that will keep families in their homes. By purchasing the existing, failing mortgages, the McCain **Resurgence** Plan will eliminate uncertainty over defaults, support the value of mortgage-backed derivatives and alleviate risks that are freezing financial markets.

The McCain **Resurgence** Plan would be available to mortgage holders that:

- ***Live in the home (primary residence only).***
- ***Can prove their creditworthiness at the time of the original loan (no falsifications and provided a down payment).***

The new mortgage would be an FHA-guaranteed fixed-rate mortgage at terms manageable for the homeowner. **The direct cost of this plan would be roughly \$300 billion, because the purchase of mortgages would relieve homeowners of "negative equity" in some homes. Funds provided by Congress in the recent financial market stabilization bill can be used for this purpose; indeed, by**

stabilizing mortgages, it will likely be possible to avoid some purposes previously assumed needed in that bill.

The plan could be implemented quickly as a result of the authorities provided in the stabilization bill, the recent housing bill, and the U.S. government's conservatorship of Fannie Mae and Freddie Mac. It may be necessary for Congress to raise the overall borrowing limit.

Okay, first of all, I realize that all the smarty pants decided that the bailout plan didn't pass the first time in the House because it was called a "bailout." I'm sure the first thing the McCain team did was think up some new name for the plan. But "resurgence"? Is John McCain so forgetful now that they had to name this plan after the only other policy he's running on, the ~~escalation~~ surge in Iraq? Also, you gotta love the way they "shortened" the name, "American Homeownership Resurgence Plan" to "McCain Resurgence Plan." I can't decide which is more amusing, that they've equated "American Homeownership" with "McCain" (though with Cindy's eight houses, I guess it makes sense), or that they've so obviously tied this plan to any McCain "resurgence" in the polls.

And then, a technical point. "Purchase mortgages from homeowners"? How many homeowners out there "own" mortgages to sell? Don't the banks own the mortgage, and the homeowners just pay it off? In this phrase, and later where they emphasize their plan to "relieve homeowners of 'negative equity'," the McCain campaign is trying to pitch a plan that helps banks as much as homeowners as a real populist program.

Then, note the irony of a "McCain Resurgence Plan" that has to specify "primary residence only;" I understand the policy reasons, but I think it's particularly important for those who can't remember how many homes they own.

And then, finally, the admission that this great new plan is really just the bailout plan passed last week. For example, the bailout already appropriated the \$300,000,000,000 (yeah, right) that will be needed for this plan: "Funds provided by Congress in the recent financial market stabilization bill can be used for this purpose." And the bailout, the housing bill (which McCain did not vote on), and our ownership of Fannie and Freddie means Treasury already has the authority to do this. "The plan could be implemented quickly as a result of the authorities provided in the stabilization bill, the recent housing bill, and the U.S. government's conservatorship of Fannie Mae and Freddie Mac."

All new! The McCain **Resurgence**! Claim credit for the bill passed last week and hope that saves your campaign!