



OPINION: BIDEN HOUSING SCHEME COULD IGNITE ANOTHER 2008 MORTGAGE CRISIS | STEPHEN MOORE

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Politicians in Washington have very short memories, so they repeat the same mistakes over and over.

It was only 17 years ago that the "subprime" mortgage crisis torpedoed the economy and sent the financial markets into the biggest tailspin since the Great Depression. Millions of Americans lost their jobs. One of the matches that lit that bonfire was Freddie Mac and its cousin, Fannie Mae, offering generous, taxpayer-guaranteed mortgage insurance to risky borrowers on loans with low down payments.

It all blew up in the faces of the taxpayers even though the Washington experts said the chances of these mortgages going bust and taxpayers taking a loss was less than one in a thousand.

The biggest taxpayer bailouts went not to the Wall Street banks and investment companies but to Fannie and Freddie.

Here we go again. The latest scheme by the Biden administration is to encourage families to borrow more money by using the equity in their home as collateral. Home equity loans are often very risky. If prices fall, home equity can become negative. There is nearly \$18 trillion in home equity, and it's one of the largest sources of savings and ownership for American families.

Now the Biden administration wants to encourage Americans to borrow even more at a time when credit card and auto debts are at an all-time high. If homes fall in value, families could slip underwater and default —

just like during the subprime crisis.

As The Wall Street Journal points out, the other "likely losers" from this scam "would be taxpayers." The evidence is indisputable from 2008 that the mortgages that ended in default were low-down-payment and low-equity loans.

Why in the world would President Joe Biden want to go down this dangerous road again?

The obvious answer is that Biden wants to "stimulate" spending by putting more cash into the hands of consumers so they can rush and spend it before the election. They think this could be a plan that would provide extra wads of cash to homeowners at a time when Americans need to be saving and paying down debts, not spending.

The Bank of America believes this scam could result in \$1.8 trillion in government-insured home equity loans. This is the homeowner equivalent of the student loan forgiveness program.

There's another problem here. Fannie Mae and Freddie Mac were created to promote home ownership, not to juice government spending. A home equity loan achieves the opposite by depleting a family's ownership stake in a home. In other words, we now have the Biden administration encouraging Americans to have LESS home ownership.

Talk about mission creep.

The obvious question is: How in the world is this in the interests of taxpayers or the country?

It isn't.

Almost comically, the Biden administration pledges this won't cost taxpayers a penny. Uh huh. Just like Fannie and Freddie would never need a bailout. But oops. Then suddenly they needed some \$200 billion in 2008.

This also is happening at a time when Fannie and Freddie are now insuring million-dollar homes. We don't know many first-time homebuyers who start with a \$1 million home. This is simply more debt overhang for taxpayers and a giveaway to the housing industry.

Washington is awash in debt right now, and Biden thinks America needs more of it. There must be a cheaper way to buy an election.