

Obama's Housing Program: A Windfall for Wall Street

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US President Barack Obama spoke Tuesday at a high school in Phoenix, Arizona, where he outlined a series of proposals that would lead to a windfall for mortgage lenders, in the name of a “better bargain for the middle class.” Obama called for the elimination of Fannie Mae and Freddie Mac, the government-backed mortgage lenders.

The proposal to eliminate the mortgage lenders represents yet another concession to the demands of Wall Street and the Republican right, which have for decades derided Fannie and Freddie as impinging on the “free market,” and blamed them, as a proxy for government intervention in the private economy, for the 2008 financial crash.

Obama said that his proposal would “end Fannie and Freddie as we know them,” adding that, “For too long, these companies were allowed to make big profits buying mortgages, knowing that if their bets went bad, taxpayers would be left holding the bag. It was ‘heads we win, tails you lose.’ And it was wrong.”

Obama said, “I believe that our housing system should operate where there’s a limited government role and private lending should be the backbone of the housing market,” adding “I know that sounds confusing to folks who call me a socialist.”

The call for eliminating Fannie Mae and Freddie Mac is entirely of a piece with every other action taken by the Obama Administration in response to the housing crisis, which has been aimed entirely at expanding the profits of the Wall Street financial institutions responsible for the 2008 crash.

The US home ownership rate hit its lowest level in nearly eight years in 2013, according to a report released in June by the Harvard University Center for Housing Studies.

In his speech, Obama presented a fraudulent overview of his administration’s record on the housing crisis, seeking to present his policies as aiming to “foster homeownership” and protect the “middle class.” Obama said that, “less than a month after I took office, I came here to Arizona and laid out steps to stabilize the housing market and help responsible homeowners get back on their feet” through a program which “helped millions of Americans save an average of \$3,000 each year by refinancing at lower rates.”

Obama was referring to the Home Affordable Modification Program, which the White House initially claimed would help up to four million families avoid foreclosure. In fact, less than half a million people received permanent modifications to their mortgages as a result of the program, half of whom were still expected to default.

Neil Barofsky, the former Special Inspector-General for the Troubled Asset Relief Program (SIGTARP) described Obama's mortgage modification program as a "failure," which left home-owners in a "far worse place than they would have been had this program not existed."

Barofsky characterized the program in his book, *Bailout: An Inside Account of How Washington Abandoned Main Street While Rescuing Wall Street*, as follows: "[Treasury Secretary Timothy] Geithner apparently looked at HAMP as an aid to the banks, keeping the full flush of foreclosures from hitting the financial system all at the same time." At one point, Geithner told Barofsky that the intended function of the program was to "foam the runway" for the banks in order to avoid being hit by too many mortgage defaults all at once.

Obama likewise praised the settlement that his administration mediated last year with the five largest mortgage lenders, saying, "we worked with states to force big banks to repay more than \$50 billion to more than 1.5 million families—the largest lending settlement in history."

The terms of this mortgage agreement were entirely favorable to the banks, while doing little or nothing to aid the millions of people who have been devastated by the collapse of the US housing market. In exchange for the settlement, the banks were released from liability for their fraudulent activities, including the widespread illegal practice of "robo-signing," in which the banks had employees sign hundreds of thousands of foreclosure documents without any knowledge of the underlying mortgages.

Wall Street officials responded positively to Obama's speech. "Washington has suddenly come alive on housing finance reform," David Stevens, president of the Mortgage Bankers Association, told the New York Times. "We saw nothing substantive prior to this year, but now we're in a housing recovery and the odds have clearly improved given that both the House and Senate have weighed in."

As with all other initiatives Obama has undertaken, from healthcare, to immigration, to education "reform," the basic parameters of his policies have been tailored to suit the interests of Wall Street and big business, while couched in the language of helping the "middle class," combating inequality, and creating jobs.

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