Bankers veto debt relief for distressed homeowners

For a socialist program to stop foreclosures!

Statement by Jerry White, Socialist Equality Party candidate for US president

Jerry White, SEP candidate for US president
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With millions of working class and middle class families struggling to pay their mortgages and hold onto their homes, the acting director of the Federal Housing Finance Agency has rejected any reduction on the crushing levels of debt owed by American homeowners.

FHFA Acting Director Edward J. DeMarco on Tuesday announced that Fannie Mae and Freddie Mac—the government-backed private lending agencies—will not reduce the outstanding loan balances for homeowners who are underwater, i.e., those who owe more than their homes are worth. This includes hundreds of thousands who are already behind on their payments and facing imminent foreclosure proceedings.

Fannie Mae and Freddie Mac guaranteed repayment of mortgages to the banks involved in the subprime mortgage racket, enabling Wall Street to reap billions in profits from the repackaging and sale of "toxic" mortgages.

After the collapse of the housing market pushed the two government-backed lenders to the brink of bankruptcy, they received $190 billion in aid from the Treasury Department and were put under government conservatorship. Fannie Mae and Freddie Mac currently own or guarantee 60 percent of all residential mortgages, valued at some $10 trillion.

Speaking on behalf of the major banking and financial institutions, DeMarco complained that debt relief would lead other distressed homeowners to stop paying their mortgages and seek new terms with the banks. Moreover, there was no reason for banks to accept principal write-downs because 80 percent of underwater borrowers were still current on their mortgage payments.

Offering debt forgiveness, DeMarco said, "would not make a meaningful improvement in reducing foreclosures in a cost-effective way for taxpayers."

DeMarco's concern is not with taxpayers—who have already been fleeced to bail out the

Wall Street financiers and predatory lenders who profited from the housing and subprime mortgage bubble—but rather with the profits of the members of the American Banking Association, which have lobbied heavily against any debt relief.

As far as the banking giants are concerned, working and middle class families can continue to cut back on food, medicine, clothing, education and other necessities to make their monthly payments. To provide them with debt relief and encourage others to apply for it too would cut into their profits.

Spokesman from the finance industry immediately hailed the action. "This should be positive for housing by taking off the table the threat of a wave of defaults by borrowers looking to get principal reduction," Jaret Seiberg, senior policy analyst at Guggenheim Partners, wrote in a note to investors.

DeMarco's move provoked hypocritical criticism from the Obama administration. Treasury Secretary Timothy Geithner—who as former head of the New York Federal Reserve concealed the manipulation of interest rates by the major banks in the so-called Libor scandal—urged DeMarco to "reconsider" his decision. "I do not believe it is the best decision for the country," Geithner wrote in a public letter to DeMarco.

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This pathetic response only underscores the subservience of the Obama administration to the Wall Street banks and the financial oligarchy that rules this country and controls both big business parties. Like his Republican predecessor, from the beginning of the financial breakdown Obama has done everything to shore up the position of the banks. No executive of any major bank has been sent to jail, and any "debt relief" has been coordinated with Wall Street to preserve its profit interests.

The Obama White House had consistently opposed any reduction in the principal of outstanding mortgages. Whatever write-downs have been included in "targeted relief" programs like the Home Affordable Modification Program, have been chiefly voluntary for the banks, which have extorted huge sums in public assets in exchange. The Treasury Department reportedly offered Fannie Mae and Freddie Mac as much as 63 cents for each dollar of principal reduction. Finally, the administration's two major programs have only helped a fraction of the 11 million borrowers currently underwater.

Since the bursting of the speculative bubble, millions of workers have lost their homes, and there is no end in sight. Just this week, the foreclosure-tracking firm RealtyTrac reported that foreclosure filings in large US cities like Philadelphia, Chicago, Tampa and New York City rose almost 60 percent in the first half of 2012. More than 1 million homes in these metropolitan areas received notices of default, auction or repossession.

Amidst a social crisis more severe than any seen since the Great Depression of the 1930s, President Obama and his Republican challenger, Mitt Romney, are indifferent to the immense levels of social suffering caused by the capitalist system they defend. No matter which big business politician wins in November, these events underscore once again that the banks exercise a complete monopoly over economic and political life.

As the presidential candidate of the Socialist Equality Party, I call for an immediate halt to all foreclosures and evictions. All mortgages should be restructured to affordable levels, indexed to income and employment status.

The social right to decent and affordable housing for all can only be assured by placing the home-building and financing industry under public ownership, and pouring hundreds of billions of dollars in public funds into the construction of new homes and apartments and the renovation of existing buildings.

The economic dictatorship of Wall Street banks—which are sucking up the wealth created by the collective labor of the working class all over the world—must be broken. Not a single social need can be met as long as these institutions remain under private control. The banks and other big financial institutions must be expropriated, with full protection of small depositors, placed under public ownership and operated under the democratic control of the working class.

For more information on the SEP campaign and to get involved, visit socialequality.com

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