

Newspapers, Economic Experts, and Cable News Question Housing Bailout

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- "The vast majority of Americans who work, pay mortgages, borrow responsibly, and now find themselves facing the bill to bail out those who didn't"

- "Does everyone presume once they have negative equity, it's time to ditch their obligation and once they're there, they're entitled to assistance from taxpayers?"

The New Hampshire Union Leader: "Housing bailout: Good money after bad ... What is less responsible: lying on your mortgage application to buy a house you cannot afford, or subsidizing someone who lied on his mortgage application to buy a house he couldn't afford? The President's housing rescue plan would spend \$275 billion in taxpayer money to refinance the mortgages of people who bought more house than they could afford. The irresponsible get bailed out; the rest of us get nothing. In fact, those of us still waiting for home prices to reach affordable levels would be harmed. ... We are most likely just throwing good money after bad." (Editorial, 2/23/09)

The Boston Globe: "Bailout lament: What about me? Many who played by rules see unfairness ... Carpenter is among the vast majority of Americans who work, pay mortgages, borrow responsibly, and now find themselves facing the bill to bail out those who didn't. Over the years they lived within their means. Now they're asking: What for? The anger underscores the dangers government faces in private sector rescues. While such interventions aim to benefit everyone by preventing severe damage to the economy, they also risk encouraging irresponsible behavior in the future. Economists call this 'moral hazard.' ... If homeowners believe the government will lower their payments if they fall behind, they won't have as much incentive to keep paying mortgage bills on time." (2/23/09)

FNC's Fox and Friends: "National Mortgage Crisis? Rest of U.S. Pay Billions To 5 States ... 'This is a five state housing crisis.' ... 'It is not a national housing crisis' ... 'The rest of the country is doing okay.' (2/23/09)

The Wall Street Journal: "Judicial 'cramdowns' could roil the markets ... Alan Reynolds, senior fellow at the Cato Institute: 'The president's new mortgage-relief plan contains clever elements that might indeed help homeowners. However, the superfluous threat of inviting judges to rewrite contracts must dilute the collateral behind troubled mortgage-backed securities. That, in turn, would jeopardize the endangered capital of banks, pension funds and other holders of such securities, including the Federal Reserve, Fannie Mae and Freddie Mac.'" (2/19/09)

North County (CA) Times: "Bailout will have muted effect locally, analysts say ... 'I can't see it helping most of my clients,' said Donna Steward, a real estate agent in San Marcos. ... Several local analysts said the bailout will do little to fix the housing market. 'They want to look like they're doing something, but frankly there isn't much they can do,' said Christopher Thornberg, an economist with Beacon Economics in Los Angeles who covers the Southern California housing market. 'Too many people are too far under water.' Thornberg said he expects home prices to fall 25 to

30 percent from current levels. And Steward...said she isn't hopeful about the loan modification process after completing several. She said the programs simply kick the foreclosure problem down the road a few years. 'They've set homeowners up so that five years from now, they're going to be in worse shape than they've ever been,' she said. UC San Diego [economics professor James Hamilton] said if the bailouts go too far, it might make the problem worse by encouraging foreclosure. 'Does everyone presume once they have negative equity, it's time to ditch their obligation and once they're there, they're entitled to assistance from taxpayers?' Hamilton said. 'If we get to the point where everyone is thinking that way, it's way too big a problem for the government to solve.' (2/21/09)

Wall Street Journal: "The Bailout Next Door ... Steve Moore, senior economics writer: 'A lot of Americans are asking the question, 'Why should I pay my mortgage if the guy next door to me isn't paying his mortgage and he gets a federal bailout?'" (2/23/09)