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Interviews

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[All Things Considered](#), December 14, 2007 · The Senate on Friday overwhelmingly passed a measure to reform the Federal Housing Administration — and help some homeowners who are at risk of foreclosure.

The House passed a version of that bill earlier this year.

For its part, the administration has been hard at work on its Hope Now proposal. In addition to FHA changes, the administration wants banks to voluntarily freeze interest rates on their adjustable loans. But there are limits to its plan — it only covers people who obtained a loan between certain dates, and those who have remained current on their payments.

Robert Siegel talks with Robert Steel, Undersecretary of the Treasury for Domestic Finance, asking why the plan is voluntary— why not allow for government intervention?

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For example, as Chairman Barney Frank of the House Financial Services Committee says, giving bankruptcy courts the authority to restructure mortgages could keep people in their homes:

**Robert Steel:** I think that from our first perspective is focusing on current households that are troubled and providing relief where we can keep people in their homes. We believe the Hope Now proposal that we've been working hard with, along with FHA, goes a long way to doing that. I think the issue of bankruptcy and the different approaches is something that's generally been in the lane of the Justice Department ... and it's been less in Treasury's lane.

**The sort of Democratic criticism of the administration here is that a voluntary approach involving all of the lenders — the mortgage lenders and the people who hold their securities — that helps them, as opposed to a plan that could go straight to the people who are hurting most of all, who might be losing their homes in foreclosure right now.**

Well, your point is a right one. And that is, the person we are trying to help is the homeowner, period. The president said that on Aug. 31, when he first began talking about this issue. It's been the mantra that we've been focused on all along. And we start with a homeowner. If I can remind you, I think our approach was first to identify these people, and then to make sure that they had independent counselors working with them to help them devise the best strategy. Now, we're talking about what products are the best to those people who can stay in their home in a sustainable way, what are the right products. And that's really the next step for Hope Now.

**The right products, in this case — are we talking about what kind of mortgage or refinanced mortgage they should have to permit them to stay in the house?**

And the process, Robert, to achieve that. You know, if you look, we've identified that there are about 1,200,000

people that will be in the range of people that can be helped by the program that we're describing. And in some cases, those will be people where mortgages could be modified; they can refinance. Or in some cases, we've described a process by which the initial rate of interest would be maintained for up to five years so that there'd be a period of time where they could be in their home and working through this and finding a longer-term structure. But the goal should be to find long-term solutions that work for each homeowner.

**But that idea of keeping the introductory rate — some would say the teaser rate — of the mortgage where it is rather than having it reset, that's something that's entirely voluntary. And that's something that you're proposing that banks should offer or the people who hold the mortgage should offer to their borrowers. It would be dramatic to say "A moratorium on resets for a year until we sort out where the mortgage market is."**

Yeah, I'm comfortable that our approach is the right way for us to work with this now.

**Let me read some scary numbers to you that the *New York Times* economics columnist Paul Krugman cites today on the op-ed page of the *New York Times*. He's citing estimates that if home prices in America fall 20 percent — and he's working on the assumption that the housing market has been vastly overvalued — there will be 13.7 million homeowners with negative equity, 13.7 million people who owe more on their house than what it's actually worth. And if home prices fall 30 percent, that number would rise to more than 20 million. These numbers, whether they are 13 million or 20 million, sound very alarming, that we would have that many people in debt over their — in debt over their house. A crisis for the country if we hit a situation like that? How would you describe it?**

Well, I think, let's look at what's going on. I think for me to speculate on what might happen or react to specific scenarios isn't really the right way for us. Let me talk about what we're doing and how we're thinking about it. You know, in America, we have over 50 million Americans that have enjoyed homeownership. The process of homeownership and financing homes in America is the envy of the rest of the world. We have very high homeownership numbers. And it's been successful.

I think that, now, our focus is keeping people in their homes and doing what we can to make sure that happens. Basically, there are always some number of people who are successful, a very large number in the high 90 percent, and historically, we have a number of people that are unsuccessful, people that go into foreclosure every year primarily because of personal circumstances, changes in condition, financial condition, things like that. And so, I think if we can focus on the million-two that we've identified, that should be the role for us to be focused on.