

Fannie Mae Pushing Home Ownership—But Is That Right?

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Some argue that a constant political obsession with the "ownership society" is what pushed this nation into the current housing disaster.

Going back decades, presidents have pushed it and Congress, in turn, has helped open the financial doors to it.

The question now, as we scrape together what's left of our economic faith and investing gumption is: Should we continue to push borderline borrowers into home ownership?

The answer, at Fannie Mae at least, appears to be yes. The mortgage giant is offering troubled borrowers who opt to do short sales (sell their homes for less than the value of the mortgage) or deeds in lieu of foreclosure (essentially just hand the keys over to the bank) the chance to get back into home ownership more quickly. Two years sooner, in fact.

Originally, if you did either of the above methods to get out of a home/mortgage you couldn't afford, Fannie Mae would not clear you to get a new loan to buy another home for 4 years.

According to a notice sent to Fannie's lenders/servicers, they are shrinking that waiting period by two years "to support overall market stability and reinforce the importance of borrowers working with their servicers when they have difficulty repaying their debt." In order to qualify for the new loan, though, the borrower must put 20 percent down.

The idea is to get former home owners back on their feet again and back into the business of buying homes. Don't get me wrong, I understand the theory behind it. With inventories rising again and more and more borrowers not qualifying for various loan modification programs or refinances, Fannie Mae (i.e. the government) is looking to get Americans out of homes they can't afford and into homes they can.

I guess some of the rationale is that so many borrowers are in trouble because of the uniquely bad class of mortgage products they used during the housing boom, not because of their own fiscal irresponsibility. So somehow it's not them, it's the mortgage, and therefore they shouldn't be penalized as long, that is, take the credit hit for so long.

I'm all for getting buyers back into the market, especially those who have 20 percent to put down. As for the fairness argument, I think the government has already shown, with its push to make lenders write down principal, that today fairness must be sacrificed for the good of the overall economy.

Whether one agrees with that premise or not, I do think it's time to take another look at home ownership. Yes, it's part of the American dream, but is it the responsibility of the American government to make it happen?