

# Legislative Highlights

## ***Treasury Places Fannie and Freddie in Conservatorship; Housing Crisis Continues***

In early September, the Treasury Department put GSEs Fannie Mae and Freddie Mac under the control of their regulator, the Federal Housing Finance Agency. Treasury pledged as much as \$200 billion to the companies as they deal with losses from mortgage defaults. Congress will hold hearings in September on the causes and consequences of the government's seizure of the mortgage giants. Home prices have continued to fall for at least the past two quarters on a year-over-year basis, while mortgage delinquencies and foreclosure rates have risen markedly, especially for subprime and adjustable-rate mortgages since the beginning of 2006. On Sept. 17, the House Financial Services Committee held an oversight hearing on implementation of the Hope for Homeowners Program and a review of voluntary foreclosure mitigation efforts, featuring testimony by Sheila Bair, chair of the FDIC, along with

consumer advocate groups and the mortgage industry. Now that the GSEs have the full backing of the U.S. government, some advocacy groups are calling for more aggressive modification of home mortgages.

## ***CRL: Wall Street Bailouts Raise Ante to Help Main Street***

The federal government is devoting vast energy and taxpayer dollars to rescue Wall Street firms that helped lead the financial crisis caused by abusive loans from reckless lenders, said the Center for Responsible Lending on Sept. 15. "For a full economic recovery, federal officials need to apply the same urgency and commitment to prevent millions of families from losing their homes to foreclosure," stated a CRL release. They again called for bankruptcy judges to have the authority to modify residential home mortgages to fair market value at lower interest rates, and a freeze on foreclosures for at least nine months.

## ***End of Session Shapes Up as Washington Showdown on Credit Card Reforms***

The Credit Cardholders' Bill of Rights could be voted on by the full House of Representatives and the Federal Reserve could finalize a proposed rule to create new regulations for card terms and practices. Both the legislation and the rule contain several provisions that could help borrowers trapped in a cycle of high interest rates, rising fees and a lack of transparency on the costs of credit terms. Both would generally prohibit card issuers from applying rate hikes retroactively to prior balances borrowed at a lower rate unless the borrower pays more than 30 days late. Both would more clearly define when a payment is considered late to give borrowers more time to make payments, among other provisions. The action on the Hill and the Fed comes amid rising delinquencies and charge-offs, as more Americans rely on credit cards to make up for stagnant income growth and rising consumer prices. n