

Government also should focus on homeowners

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Wall Street's infection can be traced to the one afflicting mortgages, which back many of the assets now at risk at the nation's largest banks. As the government nurses the big banks back to health, it also must treat this disease.

Foreclosures are hollowing out neighborhoods and putting more downward pressure on home prices. Foreclosures jumped 77% in Milwaukee County last year - two-thirds of them on the north and northwest sides of the city. Foreclosure filings nationally were up 81% and now account for a large percentage of all sales of existing homes.

The Federal Reserve put in place one important treatment last week. It said it would consider relaxing mortgage terms on loans it holds. There are local efforts under way to deal with the effects of foreclosed homes on city neighborhoods. The City of Milwaukee received about \$9 million in federal money last year for this purpose and is seeking more.

But other steps are needed. Congress should allow federal bankruptcy judges to modify home mortgages. This simple, equitable change would place an independent arbiter in charge of the decision. Congress also should adopt a plan championed by Federal Deposit Insurance Corp.

FDIC President Sheila Bair has urged the government to earmark a portion of the remaining \$700 billion in bank bailout funds to finance loan modifications for troubled borrowers. Yes, but safeguards are needed: Owners of vacation homes or obvious speculators shouldn't get help. Assistance makes sense for other homeowners who have the ability to meet lower payments.

The nation's biggest banks must be brought back to health. But the financial system, both top and bottom, requires urgent and systemic care. We are encouraged that President Barack Obama backs aid for deserving homeowners. Working to reduce foreclosures is one important part of that regimen.