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Plan to aid homeowners faces key test

Rescue package that would help distressed homeowners avoid foreclosure faces Senate vote.

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WASHINGTON (AP) -- A plan to help hundreds of thousands of homeowners avoid foreclosure is drawing bipartisan support in the Senate, setting the stage for high-stakes negotiations among congressional Democrats.

The far-reaching housing plan faces a Senate test-vote Tuesday, when it could also come to a final vote. The disputes among Democrats over key details, however, as well as a veto threat from the White House, will almost certainly push any final agreement into July.

Conservative "Blue Dog" Democrats are concerned about how to pay for the measure, while members of the Congressional Black Caucus - most of them liberal - call it "unacceptable," arguing it doesn't do enough to address the needs of African Americans.

The centerpiece of the package is a foreclosure rescue program in which the Federal Housing Administration would provide \$300 billion in new, cheaper mortgages for distressed homeowners who otherwise would be considered too financially risky to qualify for government-insured, fixed-rate loans.

Borrowers would be eligible if their mortgage holders were willing to take a substantial loss and allow them to refinance, and would ultimately have to share with the government a portion of any profits they made from selling or refinancing their properties.

The bill would tighten controls and create a new regulator for Fannie Mae (FNM, Fortune 500) and Freddie Mac (FRE, Fortune 500), which provide huge amounts of cash flow to the mortgage market by buying home loans from banks.

It also would provide a \$14.5 billion array of tax breaks, including a credit of up to \$8,000 for first-time homebuyers who buy a home in the next year and boosts in low-income tax credits and mortgage revenue bonds.

In a letter to Democratic leaders last week, the 42 House members of the Black Caucus said the bill is plagued with "glaring omissions," including affordable housing funds for states affected by Hurricane Katrina and grants for states and localities to buy and fix up foreclosed properties.

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Nasdaq	2,354.70	▼ -31.04 / -1.30%
S&P 500	1,307.43	▼ -10.57 / -0.80%
10-year Bond	98 2/32	Yield: 4.11%
U.S.Dollar	1 euro = \$1.561	▲ 0.009

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To draw GOP support, Senate Democrats diverted the affordable housing money to pay for the foreclosure aid program.

The Senate bill provides \$3.9 billion in grants to deal with foreclosed properties -- compared with a House plan providing \$15 billion - but the White House singled out the funds in its veto threat, and Blue Dogs are demanding that the money be offset with cuts elsewhere.

Rep. Barney Frank, D-Mass., the Financial Services Committee chairman, said he'd be willing to yank the money and add it to a separate measure in the interests of a deal. ■

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