

Why not try before you fly?
For a chance to pilot our flight simulator

REPLAY

Get Quote

Search

- Subscribe to Money
- Make CNNMoney my Homepage
- Add to Favorites

SPECIAL REPORT Mortgage Meltdown

[Complete Coverage](#)

Senate passes housing bill amid turmoil

Next stop is House, which will have another crack at amending foreclosure rescue bill's provisions.

By Jeanne Sahadi, CNNMoney.com senior writer
Last Updated: July 11, 2008: 6:00 PM EDT

NEW YORK (CNNMoney.com) -- After months of debate on Capitol Hill, the Senate on Friday passed a comprehensive housing and foreclosure prevention bill.

But lawmakers' quest to help cure the ailing housing market is not over yet.

The Senate measure would create a new \$300 billion government-backed foreclosure prevention program and strengthen oversight of Fannie Mae and Freddie Mac. The two mortgage finance giants, which play a central role in the U.S. housing market, took a [thrashing this week](#) on Wall Street as investors worried about their financial health.

Next week, the bill will go back to the House, which is expected to make technical changes and possibly some substantive ones as well.

The House passed a version of the bill in May and may try to amend some Senate provisions to bring them closer in line with its bill. Any changes will then need to be considered by the Senate.

That likely back-and-forth makes it uncertain when lawmakers will be able to send final legislation to President Bush for his consideration.

"It's not the final stop, but it's a major step," said one of the lead authors of the bill, Senate Banking Committee Chairman Christopher Dodd, D-Conn. "My hope will be that they would be willing to accept this Senate bill."

Final passage of a package has been delayed for close to two months due to substantive disagreements as well as countless procedural delays.

On Thursday, Dodd lamented how long it has taken to move the bill through. "Candidly, we can't wait any longer." He cited the latest foreclosure data, showing [250,000 new foreclosure filings](#) in June, up 53% from a year earlier.

"A lot of us hoped the market would take care of all of this and there would be light at the end of the tunnel," Dodd said. "[But now] the only light at the end of the tunnel is a train coming."

[EMAIL](#) | [PRINT](#) | [SHARE](#) | [RSS](#)

Frank defends mortgage bill



[More Videos](#)

Quick Vote

In the last year, the value of my home has:

- Increased less than 10%
- Increased 10% or more
- Decreased less than 10%
- Decreased 10% or more

[Vote](#) or [View results](#)

Election Guide



Your Money: McCain vs. Obama

See where the presidential candidates stand on the major economic issues.

[View guide](#)

Special Report



- [Senate passes housing bill amid turmoil](#)
- [You're already paying for Fannie and](#)

1. [Regulators seize troubled IndyMac](#)
2. [Fannie and Freddie: A wild ride](#)
3. [Senate passes housing bill amid turmoil](#)
4. [Stocks whipsawed by Fannie and Freddie](#)
5. [Lehman shares plunge again - falling 17%](#)

Markets	Last	Change
Dow Jones	11,100.54	▼ -128.48 / -1.14%
Nasdaq	2,239.08	▼ -18.77 / -0.83%
S&P 500	1,239.49	▼ -13.90 / -1.11%
10-year Bond	99 11/32	Yield: 3.95%
U.S.Dollar	1 euro = \$1.594	▲ 0.012

July 11, 2008 4:02 PM ET

Photo Galleries



Backyard escapes

This is the summer of the staycation, so pour a glass of lemonade, hit the backyard, and indulge in *FSB's* selection of literary escapes, tailored for small-business owners. [More](#)



Top 10 luxury rides

For those who want the best of the best, here they are. Plus 20 more options to consider. [More](#)

The omnibus housing package attempts to address the housing crisis in several ways. Among them is providing more relief for some borrowers facing foreclosure; increasing access to mortgages in higher-cost areas; modernizing the loan guidelines for the Federal Housing Administration (FHA); and more stringently regulating Fannie (FNM, [Fortune 500](#)) and Freddie (FRE, [Fortune 500](#)), both government-sponsored enterprises.

FHA role. Under the Senate bill, the FHA could insure up to \$300 billion in new 30-year fixed rate mortgages for at-risk borrowers in owner-occupied homes if their lenders agree to write down their loan balances to 90% of the current appraised value of their homes.

Lenders would also agree to pay upfront fees to the FHA equal to 3% of a home's appraised value. Borrowers must agree to pay an annual premium to the FHA equal to 1.5% of their new loan balance and they must also agree to share with the government any profit they realize from selling or refinancing their home.

The cost of the new FHA program - which would begin on Oct. 1 and be in place for just a few years - would be funded by fees from Fannie and Freddie. Thereafter those fees would finance an affordable housing trust fund also created by the bill. The House version of the bill calls for those fees to be used solely for affordable housing.

New regulator for Fannie and Freddie. The GSEs, which grease the wheels of the housing market by guaranteeing the purchase and trade of mortgages, will get a new regulator under the bill. That regulator, among other things, will have a greater say over how well funded the agencies are - a major concern in the markets that has sent stocks in both companies plunging.

"We know they play a central role in our housing. We also know that together they owe over \$5 trillion in debt, and they're thinly capitalized. The way to keep them [from getting into worse shape] is to create a strong regulator to make sure they're adequately capitalized," Sen. Richard Shelby, R-Ala., another key architect of the bill, said Thursday on the Senate floor.

The investor flight from Fannie and Freddie that began on Monday was due to concerns that the firms weren't adequately funded relative to the amount of mortgage debt they own or back. Regulators and lawmakers went out of their way to reassure the public and investors.

"These institutions are fundamentally sound and strong," Dodd said at press conference Friday. "In fact, they're holding capital in excess today of what's currently required by federal law. ...[T]heir portfolios are made up primarily of 30-year fixed rate mortgages."

While the Senate bill calls for the immediate appointment of a new regulator, House Democrats want the appointment to be made 6 months from the date of enactment.

Conforming loan limits. The bill would permanently increase the cap on the size of mortgages guaranteed by Fannie and Freddie to \$625,000 from \$417,000. The FHA maximum loan limits for high-cost areas would also increase to \$625,000. The House bill raises the limit at all three agencies to nearly \$730,000.

Higher loan limits will make it easier for borrowers to get mortgages, because they're more likely to be traded if they are considered conforming.

FHA rules. The bill would update a number of rules for FHA loans. Among them, it would increase to 3.5% from 3% the down payment requirement for borrowers in FHA loans. And it would eliminate a program that has allowed sellers to provide down payment assistance.

The House bill had contained a modified form of the down payment assistance program.

The seller-funded program is largely the reason why the agency's reserve has fallen by \$4.6 billion, according to congressional testimony of FHA Commissioner Brian Montgomery. Currently, that reserve is roughly \$16.4 billion.

- [Freddie](#)
- [Fed in tug of war over mortgage rules](#)
- [Financials' foul Friday](#)

Sponsored Links

[Kaplan University Online®](#)

Kaplan University Online Degree Programs. Official Site. Apply Now!
www.Kaplan.edu

[What's your credit score?](#)

The U.S. Average is 692. See your 2008 report and score now for \$0!
FreeCreditReport.com

[Buy a link here](#)



Where cheetahs roam

In Namibia, animal lovers' tourism dollars help protect threatened species. [More](#)

GET A FREE TRIAL ISSUE!



Money

Name

Address

City

State/Pr

Zip/Postal

E-mail

[Privacy Policy](#)

Housing-related tax credits. The Senate bill includes more than \$14 billion in tax credits. One is an \$8,000 tax refund for first-time home buyers. The refund, however, serves more as an interest-free loan, since it would have to be paid back over 15 years by the buyer.

Help states buy foreclosed properties. Despite a White House veto threat, the Senate bill still contains a provision that would provide states with \$4 billion to buy and fix up foreclosed properties.

The House is expected to debate whether or not the provision should stay and also whether it should be paid for by raising an equal amount of revenue elsewhere. If not, it could be considered emergency spending, in which case lawmakers would not have to compensate for the cost of the provision. ■

First Published: July 11, 2008: 2:06 PM EDT

[Fannie and Freddie: A wild ride](#)

[Fannie and Freddie plunge on rescue report](#)

[6 months, 343,000 homes lost](#)

[Pace of housing rescue slows, as foreclosures rise](#)

Sponsored Links

What's your credit score?

The U.S. Average is 692. See your 2008 report and score now for \$0!
[FreeCreditReport.com](#)

Kaplan University Online®

Kaplan University Online Degree Programs. Official Site. Apply Now!
[www.Kaplan.edu](#)

Notre Dame Certificates

Notre Dame Negotiation and Leadership & Management programs - online!
[www.NotreDameOnline.com](#)

[Buy a link here](#)

Features

Fortune Global 500



World's 25 biggest companies

Once again, Wal-Mart grabs the No. 1 spot on Fortune's Global 500 list. [More](#)



Most profitable firms on the globe

Exxon Mobil again tops Fortune's list of top earners. [More](#)



20 money losers

These companies are among the world's biggest - and finished the year in the red. [More](#)

© 2008 Cable News Network. A Time Warner Company. All Rights Reserved. [Terms under which this service is provided to you.](#) [Privacy Policy](#)

[Home](#) [Portfolio](#) [Calculators](#) [Contact Us](#) [Newsletters](#) [Podcasts](#) [RSS](#) [Mobile](#) [Widgets](#) [Press Center](#) [Site Map](#) [User Preferences](#)
[Advertise with Us](#) [Magazine Customer Service](#) [Download Fortune Lists](#) [Reprints](#) [Career Opportunities](#) [Special Sections](#) [Conferences](#) [Business Leader Council](#)

Live Quotes automatically refresh, but individual equities are delayed 15 minutes for Nasdaq, and 20 minutes for other exchanges. Market indexes are shown in real time, except for the DJIA, which is delayed by two minutes. All times are ET.

* : Time reflects local markets trading time. † - Intraday data delayed 15 minutes for Nasdaq, and 20 minutes for other exchanges. [Disclaimer](#)