

# US Senate leaders agree on pro-industry housing bill

By Joe Kay  
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The US Senate is debating a housing bill agreed to by the Democratic and Republican party leaderships that includes tens of billions in tax breaks for corporations, with paltry tokens for distressed homeowners.

On Wednesday, Democrat Christopher Dodd and Republican Richard Shelby, the chairman and ranking member of the Senate Banking Committee, announced the agreement. It is currently being debated on the Senate floor. After a bill is passed, likely sometime next week, it will go to the House of Representatives for debate and approval before reaching the White House.

On Thursday, the Senate rejected an amendment that would have allowed judges to alter mortgage terms for individuals in bankruptcy court. On Friday, it added an additional tax break for corporations, on top of what was already included in the Dodd-Shelby agreement.

In pushing the bill, the Democratic Party leadership is attempting to make a pretense of aiding the millions of Americans who have lost their homes or may shortly lose them in foreclosure. The Bush administration has already moved to bail out investment bank Bear Stearns and Wall Street in general. This past week the Treasury Department announced plans that would have the effect of loosening regulation on banks while making it easier for the Federal Reserve to intervene to save banks in crisis.

“We helped Wall Street... But now is our opportunity to take care of people on Main Street,” said Senate Majority Leader Harry Reid. Dodd echoed the remarks, saying the Senate bill was directed at “millions of people on Main Street who wondered whether or not the Congress is paying attention to their concerns, what’s happened to their hopes, to their economic well being.” The Act is itself misnamed the “Foreclosure Prevention Act of 2008.”

An article in the Associated Press on Thursday noted, however, that the bill “showers money-losing businesses with \$25 billion in tax relief in the next few years but offers just \$3 billion to homeowners, according to estimates released Thursday by Congress’ Joint Tax Committee.” The Associated Press commented that the Congress study “lends credence to accusations that the measure helps businesses like home builders while doing little to help millions of families threatened with foreclosure.”

The major tax break will allow those companies hit by the housing slump, including home builders and banks, to credit losses against taxes paid in the previous four years, essentially giving them a major tax rebate. On Friday, the Senate voted 76-2 to include another tax provision that would benefit other companies not directly impacted by the housing slump.

The Senate by a vote of 58-36 defeated an amendment that included the major provision touted by Democrats to help homeowners—giving judges greater ability to alter mortgage terms. Eleven Democrats joined Republicans in defeating the measure after heavy lobbying from the banking industry. The Mortgage Bankers Association issued a statement praising the move.

The principal measure included in the bill that would apply directly to those who have had their homes foreclosed is a paltry \$100 million for foreclosure counseling. Even this is half of what Democrats had initially proposed.

Other measures of the bill are aimed at slowing the decline in home prices without providing any serious relief to those who have had their homes foreclosed. One measure would give a \$7,000 tax credit over two years to individuals who purchase a home in or near foreclosure. Another measure would provide \$10

billion in tax-free revenue bonds that could be used to finance lower-interest mortgages to allow borrowers to refinance.

Even the tax credit is a paltry sum. The *Washington Post* reported, "In the Washington area, where the median price of a home is \$420,000, the tax break is 'peanuts,' said Jim Whitehead, a real estate agent at Lord & Sanders in Woodbridge."

Another measure pushed by Democrats would expand the ability of the Federal Housing Administration (FHA) to insure higher-valued mortgages. Some \$4 billion would be given to local communities to refurbish foreclosed homes in order to prevent further declines in property values of the surrounding neighborhoods.

The bill does not include a provision supported by Dodd to allow the FHA to use \$10 billion to insure \$400 billion in mortgages if banks agree to write down the principal and allow the mortgages to be refinanced on less severe terms. This measure is also aimed at putting the breaks on the fall of housing prices, which has hit Wall Street hard. It is entirely voluntary and many homeowners would not qualify.

The collapse of the housing market has been devastating for millions of people. An estimated 8,000 families are forced into foreclosure every day.

Hundreds of billions in cheap loans have been offered to commercial and investment banks, backed up ultimately by the federal government. The Democratic Party, including both of the presidential candidates, has supported these moves. However, no section of the political establishment is interested in coming to the aid of ordinary people caught up in the crisis.

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