

Housing Gets Crowded Off Candidates' Front Burners

American Banker | Friday, May 9, 2008

By [Joe Adler](#)

WASHINGTON — At one point in March, it appeared the housing crisis would dominate the presidential race.

Sen. Hillary Clinton made a major speech March 24 on foreclosures, only to be followed by GOP nominee John McCain two days later and her Democratic rival Barack Obama a day after that. Further proposals and some back-and-forth between the candidates about their respective plans ensued.

But a month and a half later, the spotlight on that issue, at least in the presidential race, has dimmed. In primary states coveted by Sens. Clinton and Obama, more common economic issues — taxes, trade, and energy — have overshadowed the housing problem.

Observers said fewer foreclosures in some states and press coverage of issues more clearly dividing the campaigns — like a gas-tax holiday — caused the attention shift.

Early in the campaign "housing was the poster child for economic problems," said Howard Glaser, a consultant and former senior housing official in the Clinton administration. "Those problems have dispersed into other areas of the economy," he said. "There are more pocketbook issues to talk about."

Still, few said the issue is likely to stay in the background for long, particularly if problems in the credit markets resurface and foreclosures continue to rise.

"It's a regional issue that affects every region in the country," said Michael S. Barr, a University of Michigan law professor who was a special assistant to former Treasury Secretary Robert Rubin.

"It ought to be a central issue in how the press is covering the current economic crisis, and in terms of evaluating what the candidates have to say," Prof. Barr said. "I think it's a much more central issue than whether or not there is a gas-tax holiday."

Foreclosures have risen nationally but are a bigger concern in some states than in others. For example, foreclosure rates in Indiana and Ohio — the sites of recent primaries — are at the high end for the country, but the problem is less pronounced in North Carolina and Pennsylvania, where the Democrats also battled.

"We're dealing with primaries, where the candidates are focusing on specific issues that they think will play well in a particular state," said Brian Gardner, an analyst with KBW Inc.'s Keefe, Bruyette & Woods Inc.

"These campaigns poll constantly. They have their focus groups. They are testing their messages constantly. ... My best guess is that ... the housing issue is not playing out as much as we might expect it to."

Others cited an apparent easing of the market upheaval stemming from the mortgage meltdown and news coverage essentially moving on to other issues as reasons that housing is receiving less attention on the campaign trail.

Brian Chappelle, a former Housing and Urban Development official, said an uptick in the Dow Jones industrial average and recent bank earnings that "were not as bad as expected" have created a perception that the problems have stabilized.

"At a stock level, there's a sense that things are improving," said Mr. Chappelle, a partner at Potomac Partners in Washington, though he said he did not have that sense. "We're kind of on a roller-coaster, and right now we're at the top," but "in the housing industry, we still have the fundamental problem, which is house-price stabilization. We haven't solved that yet."

John Weicher, a former Federal Housing Administration commissioner under President Bush, said that, after a spate of housing proposals earlier this year, including from the three presidential contenders, attention has turned to whether other lawmakers can enact them into law.

"That's where the action is," said Mr. Weicher, the director of the Center for Housing and Financial Markets at the Hudson Institute. Meanwhile, every American with a car is worried about gas prices, he said, and Sen. Obama's objection to Sen. Clinton's support of a federal gas-tax holiday draws a clear contrast between them.

"There's a difference between the candidates, and it immediately gets your attention," he said.

To be sure, the mortgage meltdown still gets some attention in the candidates' speeches. Both Sens. Clinton and Obama mentioned it in election-night speeches Tuesday, after Sen. Clinton won narrowly in Indiana and Sen. Obama won decisively in North Carolina. But it has merged with other issues and become less of a focal point.

After trumpeting her energy and health-care proposals, Sen. Clinton said in Indianapolis that "it's time to freeze foreclosures for families most at risk of losing their homes, including our soldiers who are in harm's way and are being foreclosed on here in America." The New York senator then spoke more broadly about the race.

Sen. Obama, of Illinois, who widened his delegate lead and is considered the front-runner for the nomination, mentioned the crisis in passing late in his Raleigh speech, after touching on other economic issues.

"I trust the American people to realize that while we don't need big government, we do need a government that stands up for families who are being tricked out of their homes by Wall Street predators," he said.

At a Securities Industry and Financial Markets Association panel last week featuring economic advisors to all three campaigns, the housing crisis was little mentioned. Despite some remarks made on it during opening statements, the surrogates were asked no questions on the mortgage problems from audience members, who instead focused largely on tax issues.

The emphasis on housing was sharper earlier in the campaign.

In her March 24 speech, focused on a series of proposals to protect homeowners, Sen. Clinton said that "facing our economic situation ... means acknowledging that our economic crisis is, at its core, a housing crisis."

Three days later, Sen. Obama, laying out a plan to reform the financial regulatory framework, was similarly focused on the issue. He said that "when subprime mortgage lending took a reckless and unsustainable turn, a patchwork of regulators were unable or unwilling to protect the American people."

The crisis at that point commanded enough attention that Sen. McCain, who had long wrapped up the GOP nominating contest, weighed in on March 26.

At that time he shied from big-government solutions to solve the crisis, only to change course two weeks later. He then embraced a more ambitious proposal to expand Federal Housing Administration refinancings, similar to proposals by his Democratic competitors.

"We will combine the power of government and the private sector to find immediate solutions for deserving American homeowners," he said April 10.

Though it has taken a back seat for now, some observers see the housing crisis returning as a major campaign issue as the general election takes shape.

According to figures by RealtyTrac, the battleground states of Nevada, Florida, Arizona, and Colorado are in the top five in terms of foreclosure rates in March. Two other battleground states, Michigan and Ohio, also had high foreclosure rates.

"That guarantees that whatever else happens with other economic issues that housing will ... be at the forefront," Mr. Glaser said.

In contrast, the remaining states to vote in the Democratic primary are not a hotbed for foreclosure activity.

Only Oregon, which votes May 20, ranked in the top 25 in the RealtyTrac data on foreclosure rates.

Mr. Glaser said housing would also likely become a more high-profile issue as the effects of the crisis — such as drops in revenue for local governments — become more apparent.

"As housing values decline, ... local governments cannot afford the kinds of services that citizens are used to," he said. "That's going to hit people in the pocketbooks also."

Mr. Gardner said that, between now and November, how much attention the housing crisis garners will likely depend on forces beyond the candidates' control.

"Certainly, if there is some kind of market event, or the foreclosure situation deteriorates towards worst-case scenarios, then I would expect it to percolate back up," he said. "I don't think it's an issue that's gone away. It's just gone to the back burner, but it's back there simmering, waiting for another day."

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