

As congressional leaders and the Obama administration hold their fire on overhauling the housing finance system, a bipartisan pair of lawmakers is trying to rally support for maintaining government backing of the mortgage market, bucking some of their conservative colleagues on the issue.

At a conference Tuesday hosted by the American Securitization Forum, keynote speakers **John Campbell, R-Calif.**

, and Gary Peters, D-Mich., who have introduced an industry-backed bill, used the occasion to criticize conservative opponents of their legislation.

The bill (HR 1859) would replace mortgage giants Fannie Mae and Freddie Mac with several private companies that could issue mortgage-backed securities guaranteed by the federal government. Conservative lawmakers want to eliminate the government's role in the mortgage market, and some already have expressed strong opposition to the measure.

Campbell railed against “reflexive ideologues on my side of the aisle who don’t believe the government should have any involvement in anything.”

Peters said the legislation had found a middle ground, although “being in the middle is a lonely place to be. Ideology seems to be trumping everything.”

Six months into the 112th Congress — and nearly three years since the government takeover of Fannie and Freddie following the housing market collapse — lawmakers in both parties have moved slowly on housing finance policy, and industry observers largely expect the issue will not be resolved until after the 2012 election.

Agreement Elusive

A general consensus exists among lawmakers of both parties and the Obama administration that the mortgage giants, which are known as government-sponsored enterprises (GSEs), should eventually be eliminated, but there is no agreement on how to restructure the housing finance sector.

The GOP leadership of the House Financial Services Committee is advancing a series of incremental bills, spearheaded by Scott Garrett, R-N.J., designed to rein in Fannie and Freddie and hasten their departure. So far, Garrett has unveiled 15 bills in two rounds, with more expected; a subcommittee approved the first eight measures in April.

Texas Republican Jeb Hensarling has also authored a far-reaching proposal, which would fully privatize the GSEs within five years. Though Chairman Spencer Bachus, R-Ala., has said that legislation remains the panel's ultimate goal, the bill (HR 1182) has seen no action since its March introduction.

Meanwhile, **Campbell** and other Republicans who hail from high-cost areas have expressed concerns with Hensarling's approach. They worry mortgages in their districts would be unaffordable without some government backing of the market and that the common 30-year fixed mortgage, in particular, would go extinct.

At the conference, **Campbell** said he was still working to get a hearing for his bill, either at the subcommittee or full-committee level. Garrett, the chairman of the Capital Markets subcommittee, opposes the bill. Bachus has not said where he stands on it, according to Campbell, but the panel's chairman is concerned about potential divisions within the conference.

Campbell also said "there are plenty who want to support the bill," but that they are concerned about going against senior committee members.

In a recent interview, Rep. Barney Frank of Massachusetts, the top Democrat on the panel, ridiculed his GOP colleagues as "incoherent as an organized entity" and needled them for not taking up the Hensarling proposal, which they had strongly backed during debate over the financial regulatory overhaul (PL 111-203), but which industry opposes.

"Their ideology has come up against reality," he said. "They got behind this totally unrealistic approach, and now they have everybody who works with them — the bankers, the homebuilders, the realtors, the mortgage lenders — saying 'This is crazy.'"

Mark A. Calabria, director of financial regulation studies at the libertarian Cato Institute and a former Senate Banking Committee aide, also noted GOP lawmakers were caught between two important constituencies. "Republicans are in some sense in the unenviable position of choosing between the real estate industry and the tea party," he said.

At a conference panel discussion, Lynn O'Neill, managing director for RBS Securities Inc., said there was "a huge disconnect" between GOP lawmakers who believe in a completely private market and most investors who want the security of government involvement.

More Delay Ahead?

The Democratic Senate is also unlikely to be very productive on the issue, and is even further behind its counterpart across the Capitol. The Banking, Housing and Urban Affairs Committee, led by South Dakota Democrat Tim Johnson, is holding a series of hearings on how to potentially overhaul the housing finance sector, but there is little indication the panel will write legislation anytime soon.

Johnson may have little incentive to bring up a bill, according to Calabria, because he has politically vulnerable members on the committee and because Majority Leader Harry Reid, D-Nev., seems determined to keep Democrats from having to take tough votes on the Senate floor.

The fragile state of the mortgage market also likely weighs on lawmakers. Currently, the federal government backs more than nine out of 10 new mortgages. While members of both parties want to bring private capital back into the market, withdrawing federal support too quickly could undermine the housing sector and the broader economy.

Frank said he expects the Senate panel to become more active, but added that lawmakers' caution in addressing such a complex issue should not be surprising. "It's an acknowledgement that it's hard," he said, "that abolishing Fannie and Freddie is an easy decision to make, which we're for, but figuring out how to replace them is hard."

O'Neill predicted that the House would probably pass some or most of the bills designed to chip

away at the GSEs but that they would stall in the Senate.

“Come 2013, we’ll just start this debate all over again,” she said.