

Conforming Loan Limits: I'm a car guy. Most of you know this. However, I've recently become the housing guy in Washington. This is not due to any direct background or experience. I have only bought 3 and sold 2 houses in my life, all of in which the captivating Mrs. Campbell and I have lived. It is partly because I serve on the committee that deals with such issues. But, it is mainly because I know we never go into recessions without housing and cars leading us in, and we never recover without housing and cars leading us out. These two industries are just too big a part of the economy and too important to the psyche of consumers. The car business is doing better of late, but housing is not. There are many reasons our economy stinks, but one of them is certainly because the housing market is still in a decline. The economy will not be strong again until we turn it around.

When you have a sick patient, the first rule is, "Do no harm". The housing market is sick. Much of what is causing this sickness is the fact that the housing finance system, anchored by Fannie Mae and Freddie Mac, failed. We have to replace that system. As many of you know, I have a Housing Finance Reform Bill (H.R. 1859) to deal with this problem. I am making progress with that bill, but it is not ready to move yet.

So, until we are ready to move forward with a replacement system, we should do no harm to the current one. But, unfortunately, harm is about to befall the housing market. The limits on "conforming loans" (which are loans guaranteed by one or more government agencies) are scheduled to drop on October 1st. Many people think that this just affects houses at the higher end of the market. It does not. The expiration of the current conforming loan limits will mean that houses priced as low as \$250,000 will no longer be eligible for FHA loans - and FHA is now financing 22% of all home loans made nationally.

The practical consequence of all this is that, effective October 1, if you are selling a house, a prospective buyer in many cases will have significantly fewer financing options. This may require that buyer to have a higher down, or better credit, or accept higher payments on a much shorter-term and variable rate loan. In other words, fewer people will be able to buy your house, and potential buyers will need more out of pocket to do so even if you don't lower the price. Experts predict that this will result in prices falling nationally by another 2-7%.

This is bad news, and not just for people buying or selling a house. It will affect consumer confidence, household wealth, and the stability of the banking sector - all in a negative way. I have been working daily with people of both parties in both Houses to get these loan limits extended. But, a bipartisan consensus has not emerged yet.

No one likes the current system of housing finance. We need to protect the taxpayer more, create many more purchasing options and engender private sector involvement. But, until we replace the current housing finance system with a better one, we should not make what we have worse. I hope we can restore these conforming loan limits in the next month or so before too much more damage is done to the economy.

Put Your Money Where Your Mouth Is: This is the name of a bill I introduced 3 sessions of congress ago and have re-introduced in every congress since. But, it seems more apropos now than ever. Warren Buffett has recently been so vocal about his desire to pay more taxes that the President's latest tax increase proposal is being called the "Buffett tax".

The thing is, though, Warren Buffett can pay more taxes right now. He does not need to wait for this Congress or the President or anybody. He can voluntarily pay any additional amount he wants. But, he doesn't do so. Neither do any of the others out there who believe they pay too little. Instead, they continue to fill the airwaves with messages about how, because they think they are under taxed, they think everyone is under taxed and should pay more.

Well, maybe this is because they either don't know that they can pay more right now or simply just don't know how to do it. That must be it, right? Otherwise, they would lead by example and pay more, wouldn't they?

So my bill, H.R. 1541, the "Put Your Money Where Your Mouth Is" Act, would add a line after the total tax line on your tax form 1040 that would read, "Voluntary additional tax I would like to pay". I'm sure that if this bill becomes law and this line is added, Buffett and others will immediately pay the additional tax they feel they ought to be assessed. Then, the government will get more revenue....

....and Mr. Buffett can then leave the rest of us alone.