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Let's have some support for property values

By EVA SCHULTE

For the past two months, Americans have watched the federal government bail out the financial industry and wondered whether families would really benefit.

It is now clear that while the U.S. Treasury may have helped save some of the country's largest banks, it has done little to tackle the root cause of the financial meltdown: the foreclosures that are driving down property values and destroying family wealth.

Every attempt by the federal government so far to slow the rising tide has fallen short.

Steven Preston, secretary of Housing and Urban Development, recently announced that Hope for Homeowners, the federal government's centerpiece program to decrease foreclosures, had received a grand total of 111 applications since it began Oct. 1.

It is difficult to understand Treasury Secretary Henry Paulson's stubborn refusal to use bailout money to stem foreclosures.

He justifies this on ideological grounds, arguing that giving money to banks is an "investment" while using money to stop preventable foreclosures is considered "spending."

If the bailout is about keeping our financial system afloat, we need to do the math; foreclosure costs way more than keeping people in their homes.

In a report released by Communities Creating Opportunity on Nov. 10, we noted that, on average, a foreclosure costs banks, homeowners, cities, states, and entire communities over $80,000, with banks losing the most.

The approximate cost for modifying a loan and helping keep a family in its home: $3,300.

Systematic loan modification works, and is a way out of the mess we are in.

Faith leaders, together with representatives from 50 faith-based organizations, traveled to Washington recently to ask Paulson to "wake up" to the devastating impact of the foreclosure crisis.

We want the Treasury to embrace a plan put forth by the Federal Deposit Insurance Corp. that would give bailout money to banks for modifying home loans.

The plan would guarantee these loans, as an extra incentive for banks, and would prevent future defaults by getting monthly payments down to an affordable 31 percent of income.

This is the way that we can put a floor under property values and keep families in their homes. Families and the American economy deserve a new strategy.

Eva Schulte is executive director for Communities Creating Opportunities. She lives in Kansas City.