

“Senators Miss Sperling at Key Point for Housing Bill”

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by Jon Prior, Kevin Cirilli and MJ Lee

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Negotiations over a Senate plan to overhaul the mortgage finance system by getting rid of Fannie Mae and Freddie Mac have entered a critical stage with a committee vote set for the end of the month.

But something is missing from the mix — Gene Sperling.

Sperling left his post as the president’s top economic adviser last month to head home to California. His departure deprives the White House of an official credited by senators from both parties for helping build a deal recently struck by Senate Banking Committee leaders that both the administration and the bill’s supporters are now trying to get reluctant lawmakers on the left and right to bless.

While senators and White House officials say the administration has a team in place to pick up where Sperling left off, his absence has been noticed by key senators.

“He lived it; he breathed it,” Sen. Bob Corker (R-Tenn.) said, sounding almost nostalgic about his dealings with Sperling. “He was the main guy, no question.”

Corker helped kick off what seemed like an improbable debate over housing policy last year when he introduced a bill with Sen. Mark Warner (D-Va.) to replace Fannie and Freddie with a new mortgage finance system — a proposal that served as the template for the bill released last month by Senate Banking Committee Chairman Tim Johnson (D-S.D.) and the panel’s top Republican, Mike Crapo of Idaho.

“Gene was just — had a more spiritual and intellectual ownership because we had just spent so much time with him,” Corker said. “Not just on the technical aspects of the bill and the policy, but also on the discussions about how we were going to move it through Congress itself. There were so many of those conversations on weekends and cell phones, late at night, me driving home from the airport Thursday nights in Tennessee.”

The trust Sperling built on both sides of the aisle could be used now, particularly as the administration and Johnson try to get reluctant Democrats such as Sherrod Brown, Robert Menendez, Elizabeth Warren and Chuck Schumer — a member of leadership — to back the bill or at least detail the changes that would win their support.

Brown, for instance, said he spoke with Sperling several times about what new housing finance system should be put in place but does not recall discussing the issue with his replacement as director of the White House National Economic Council — Jeff Zients.

“To me, Sperling seemed the most enthusiastic supporter at the White House and the one that seemed to be making the most exuberant approach to Congress about it,” said Brown, who has criticized some details in the Johnson-Crapo bill. “I have no idea what other people will do. I know it’s still an administration priority — it’s not a Sperling priority; it’s an Obama priority.”

The bill represents one of the few bipartisan efforts on a major policy issue that is moving in Congress and the White House is more than an interested bystander. With Sperling in the lead, the Obama administration was deeply involved in helping craft the Johnson-Crapo plan and in trying to build support for the effort both inside and outside of Congress.

The legislation has essentially no chance of becoming law this Congress, but its degree of success is important to the White House.

The more support there is behind Johnson-Crapo this year the better chance it or a similar proposal has of being enacted before President Barack Obama leaves office in January 2017, allowing him to add overhauling the bailed-out mortgage finance system to his list of legacy items.

Leading the charge now for the White House is Zients, who joins Housing and Urban Development Secretary Shaun Donovan and Treasury Undersecretary for Domestic Finance Mary Miller as the administration’s top liaison’s to the committee on the housing bill.

Zients has visited the Hill to discuss housing reform a couple of times a week since taking point on the effort, according to an administration official. These meetings have included Johnson, Crapo, other members on the committee, and Senate Majority Leader Harry Reid, who has not committed to putting the plan on the floor.

Zients has also organized meetings to get input from consumer and industry groups, the latest being a conference held at the White House on Wednesday with representatives from the Mortgage Bankers Association.

Still, Sperling’s name continues to pop up.

He has long played the role of Washington deal maker, having served at the senior levels in both the Clinton and Obama administrations. He departed the White House on March 5 to be with his family in California.

Sperling downplayed any suggestion that his departure will hurt Johnson-Crapo’s prospects of getting a strong vote in the committee and then a floor vote, which remains a long shot.

“Of course the timing was not perfect as I had built up significant trust with not only key Democrats but Crapo and particularly Corker,” Sperling said. “But, we had developed a strong and coordinated three-part team with NEC, Treasury and HUD — and Jeff has been excellent in showing strong leadership from day one in making sure that team is pushing forward 24/7.”

What to do with Fannie and Freddie remains the biggest unresolved issue left over from the 2008 financial crisis.

The mortgage finance giants were taken over by the government in September 2008 and received \$187.5 billion in bailouts. Since then, they have gone on to dominate the market under government control as private financing has dried up. The amount of profits they have sent to Treasury has now surpassed the amount of bailouts they received, but under the terms of the bailout, they remain under government control.

Fannie and Freddie do not make loans but instead package them into securities and sell them to lenders while guaranteeing losses suffered by the mortgages in the bonds. It’s a system that provides funding for new loans.

The Johnson-Crapo plan would get rid of Fannie and Freddie and replace them with a new agency that would provide a government guarantee but not before private capital absorbs the first 10 percent of losses. The proposal has been praised by industry groups and some analysts, but critics, mostly on the left, have questioned whether it would do enough to promote affordable housing and if it relies too heavily on big banks.

The House Financial Services Committee approved a bill authored by Chairman Jeb Hensarling (R-Texas) last year that does not replace Fannie and Freddie after they are eliminated and leaves the government’s role in a future system to a scaled down version of the Federal Housing Administration. House leadership is not expected to bring the bill up to a vote this year.

Crapo is optimistic about his bill’s chances and said he isn’t worried about whose taking the lead for the administration.

“I think that the transition has been very smooth,” Crapo said. “Although (Zients) wasn’t there for the negotiation process, he was very quick to pick up where we are, and he is very committed.”