



**The Daily Dish**

## December 10th Edition

DOUGLAS HOLTZ-EAKIN | DECEMBER 10, 2014

[House leaders have introduced](#) their \$1.1 trillion spending bill that would avoid a partial government shutdown. Under the legislation, every Cabinet agency will receive funding through September of 2015, with the exception of Homeland Security which will be funded through February.

One issue included in the spending bill is an extension of the Internet access tax ban until October 1, 2015. Earlier this year the House passed a bill that would have permanently banned access taxes, but it later stalled in the Senate. AAF has found that an Internet access tax could cost consumers up to [\\$14.7 billion per year](#) if Congress does not renew the ban.

A repeal of the medical device tax in the ACA may have a veto proof majority come January. Repealing the 2.3 percent tax has wide support from both the right and left with 32 Democrats voting in the House to repeal in the past. According to [The Washington Examiner](#), this could be an issue brought up early in the next session.

### ***Eakinomics: The State of Play in Housing Policy***

In the aftermath of the financial crisis and Great Recession, U.S. housing markets were beset by two problems. In some areas; notably Ohio, Michigan, and other parts of the center of the country; poor economic growth had driven homeowners to use their homes as ATMs and the pricey first plus second mortgages proved too difficult to service as the economy worsened further. In the “sandy states” of California, Nevada, Arizona, Florida and the like, a boom in housing prices lured buyers into highly leveraged housing financial packages that proved unsustainable when the house-price bubble burst. Homeowners found themselves “underwater,” with homes worth less than the mortgage balance.

The solution to the former problem is better economic growth that generates higher wages, the ability to make interest payments, and more demand for housing that stimulates a flat housing market. The solution to the latter is to get rid of the negative equity either by a write down of the mortgage balance or an infusion of equity finance. None of these things happened. The hapless Obama economic strategy yielded weak growth and no income increases. The complexity of the financial structures interfered with widespread write downs and the populace utterly rejected tactics that were tantamount to large-scale taxpayer infusions of equity (remember the Rick Santelli [rant](#) that launched the Tea Party?).

Instead, the administration launched a bevy of small-bore HARPs and HAMPs that did little to change the trajectory of housing markets across the U.S. Its latest [proposal](#) is to offer taxpayer guarantees for mortgages with as little as 3 percent down. Now, it is true that there is more to mortgage underwriting than the size of a down payment. And it is true that the taxpayers will not be on the hook for the remaining 97 percent — borrowers are required to have private mortgage insurance as an equity backstop in front of the taxpayer. But it is still troubling to see a repeat of the strategy of luring lower-income, lower-equity buyers into the market as a matter of *policy* and not inherent economics. And it is more troubling that the focus of housing policymaking has moved into the Federal Housing Finance Agency and away from the Congress.

Congress needs to retake the reins, and should begin in 2015 with a serious effort to reform housing finance and wind down Fannie Mae and Freddie Mac.

***From the Forum***

[Congressional Testimony: Fiscal Priorities in the 114th Congress: Restoring Balance to Federal Health Spending](#) by Chris Holt, AAF Director of Health Care Policy

[The Congressional Budget Process: What a Budget Resolution Is, and What it is Not](#) by Gordon Gray, AAF Director of Budget Policy