



12/03/2008

Lobbyists requesting lower interest rates

Lobbyists within the financial industry are asking the Treasury Department to initiate a course of action resulting in lower mortgage interest rates in hopes to stabilize the current housing crisis.

Scott Talbott, a vice president at the Financial Services Roundtable, said on Wednesday that the current proposal is to have the Treasury Dept. call for lowering the rate on a 30-year mortgage from 5.6 percent to 4.5 percent. Talbott, as well as other industry officials, said it would be possible for the Treasury to do so by purchasing mortgage-backed securities from Fannie Mae and Freddie Mac.

Upon the announcement of the Federal Reserve's plan to take \$500 billion and purchase mortgage backed securities from both Fannie Mae and Freddie Mac interest rates fell considerably and officials within the financial industry anticipate a similar reaction with additional purchases in turn allowing the mortgage giants to purchase or back more home loans.

"The goal is drive mortgage rates so low that home prices not only stop falling but begin to rebound," said Greg McBride, senior financial analyst at Bankrate.com.

Industry officials have said that the Treasury Department is strongly considering the proposal and could announce a decision as early as Monday.