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WASHINGTON (Reuters) - Treasury Secretary Timothy Geithner said on Tuesday fundamental change is needed in the housing industry but appeared to back some mortgage guarantee.

Following are highlights from the Obama administration conference on reforming housing finance:

TREASURY SECRETARY TIMOTHY GEITHNER:

"Fixing this system is one of the most consequential and one of the most complicated economic policy problems we face as a nation."

"Alongside the many broader failures that contributed to this financial crisis, there are several that directly involved the government sponsored entities Fannie Mae and Freddie Mac. Amid the general race to the bottom in credit standards across the private sector, Fannie and Freddie lowered their underwriting standards, providing guarantees for increasingly risky types of mortgages, without charging enough to cover the risks."

"This administration will side with those who want fundamental change. It is not tenable to leave in place the system we have today. We will not support returning Fannie and Freddie to the role they played before conservatorship, where they fought to take market share from private competitors while enjoying the privilege of government support."

"I believe there is a strong case to be made for a carefully designed guarantee in a reformed system with the objective of providing a measure of stability in access to mortgage finance even in future economic downturns."

HOUSING AND URBAN DEVELOPMENT SECRETARY SHAUN DONOVAN:

"The government's footprint in the housing market needs to be smaller than it is today, where FHA and the GSEs collectively guarantee more than 90 percent of all mortgages."

BILL GROSS, CO-FOUNDER AND CO-CIO OF BOND GROUP PIMCO

"To suggest that there's a large place for private financing in the future of American housing finance is unrealistic. The only way to bring housing back and to create liquid, financeable mortgage finance going forward would be to provide a government guarantee. It would be provided for by adequate insurance, by sufficient down payments, and over encompassing regulatory environment that instead of allowing no docs and liar loans provides adequate supervision for any mortgage going forward."

"PIMCO would not buy a private or a privately insured mortgage pool unless it was accompanied by a 30 percent down payment, too high in today's market to permit new housing or even secondary market purchase. Without government guarantees, mortgages rates would be hundreds, hundreds of basis points higher, resulting in a moribund housing market for years."

"Policymakers should quickly re-engineer a refinancing opportunity for all mortgagees that are current on payments and are included in GSE securitized mortgages. The American economy is approaching a cul-de-sac of stimulus, both monetarily and fiscally, which will slow it to a snails' pace incapable of providing sufficient job growth going forward. Unemployment rates will approach and remain at double digits unless a positive fiscal stimulus is provided in the next six months. This home financing to my way of thinking, and to PIMCO's way of thinking, where you take 5, 6, and 7 percent mortgages and turn them into 4 percent mortgages, basically will provide a crucial stimulus of \$50-60 billion in consumption, as well as potential lift of 5-10 percent in terms of housing prices."

MARK ZANDI, CHIEF ECONOMIST, MOODY'S ANALYTICS

"It is clear that that the government should continue to play a very large role in the housing market."

"Government's role in housing needs to be pulled back quite significantly, certainly compared to where it is today, but also compared to where it was prior to the crisis. And I'm not arguing this year or next. The void is still quite large, the private market is dormant and it can't step in if the government steps out in the near future. We're not done; the crisis is still ongoing. I mentioned that house prices are down 30 percent, we're going to see more price declines, foreclosures are rising, REOs (lender-owned property) are increasing, the distressed share of total sales is going to rise significantly over the 6-9 months, and that's the key statistic for housing values, and of course when housing values are falling, nothing really works all that well in our economy."

(Compiled by Emma Ashburn)