

Let Them Stay by Dan Jacoby

By now, many people have heard the story of Henrietta Hughes, the homeless woman in Ft. Myers, Florida, who begged President Obama to help her find a home for herself and her son. She got a little bit of luck, as she and her son will now be staying at an empty house owned by Chene Thompson, whose husband Nicholas is a state representative. The Thompsons can't live in the house because it is outside the district Mr. Thompson represents. They can't sell it, because nobody is buying. By allowing Ms. Hughes and her son stay there, the house won't get run down.

It's a win-win situation. It is also the kernel of a great idea.

As foreclosures continue on their upward spiral, people are becoming homeless. Meanwhile, the banks that take over the houses can't sell them in this market, so the houses will go empty. By the time the market turns around, those houses will be in a state of deep disrepair, and it will cost the banks a lot of money, either to repair the house before selling it, or by accepting a lower price.

On the other hand, if the banks let defaulting homeowners stay in their homes, either by renegotiating the mortgage, or under an agreement similar to the one the Thompsons offered Ms. Hughes, everyone benefits.

Right now, almost 20,000 jobs are being lost every day, including weekends and holidays. Kicking newly unemployed people, and their families, out of their homes is just adding insult to injury. It is only making things worse, and we will all pay the price for years to come. While there are certainly some people who deserve to lose their homes, because they are irresponsible, it's a safe bet that the vast majority of people who are, or soon will be, in default on their mortgages are merely victims of the worst economic downturn in a lifetime.

Perhaps the federal government can use the second half of the TARP to require banks to make arrangements for defaulting homeowners. Keeping a few million people in their homes is certainly a result the Obama administration could point to with pride. In addition, people who know they won't be homeless will be far more able to find a new job. They will either have the time, and the stress-free mindset, to go to interviews, increase their job skills through training programs – and take lower-paying jobs until something better comes along.

Then, once the market rebounds, the banks will benefit. Either the defaulting homeowner will be able to dig out of default, or in the worst case the bank will be able to get a good price for the house because it won't be run down.

Finally, since the banks will do better, they will be able to repay the federal government more quickly and more fully.

Sometimes, people do well by doing good. This is one of those times.