

# Congressional Research Service on the HBPA

*Here is the conclusion of the CRS memo of Feb. 1, 2008, "Subject: Lyndon LaRouche's Home Owners and Bank Protection Proposal."*

A mortgage freeze and reorganization of the banking system could provide some relief to currently troubled borrowers and make the central bank more responsive to the electorate. These potential advantages are accompanied by potential unintended consequences. A less independent central bank could result in higher long-term inflation rates without improving other real economic variables. Moral hazard could cause some borrowers to default on loans that they could otherwise make payments on. State governors would have an incentive to free-ride on the federal banking protection and set home rental payments too low and undercapitalize the banks. Freezing the housing market could prolong the glut of unsold homes and delay recovery. The new Bretton Woods system could result in destabilizing capital flows, especially because the new central bank would be even less insulated from domestic politics than the Federal Reserve.