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Up With Renters!

By JOE NOCERA

No, that is the not the subject of my column this week. But I was so doggone excited to hear that the Obama administration is finally — finally! — considering an idea that was first broached last fall by Dan Alpert of Westwood Capital on this very blog that I couldn't let the moment pass without a cheer or two.

The idea is to turn at-risk homeowners into renters, at least temporarily. During a Senate Banking Committee hearing earlier this week on foreclosures, a Treasury official said, "It is certainly an idea we are thinking about." It's about time.

The Alpert plan, which you can read about in detail [here](#), would have homeowners in danger of foreclosure turning over the deeds to their homes to the bank, but would be allowed to rent the properties for the next five years — at the prevailing (and presumably lower) rental rate. After five years, if their finances are healthier, they can then buy back the home. The moral hazard issue would be mooted because everyone would share the pain. Yet because people would be allowed to stay in the homes, the continuing wave of destructive foreclosures would be stemmed, allowing property values to stabilize. I thought — and wrote — at the time that this was soundest idea I had heard to help keep underwater homeowners in their homes. I still think that. I hope the administration continues to take steps in this direction.

As for this week's column, it is an attempt to understand why Congress is so angry about the Bank of America-Merrill Lynch deal. One point I didn't make in the column is that, although it is still early (and although Bank of America denies any problems), the merger has had a rocky start. There is a huge culture class between Charlotte, where Bank of America is based, and Merrill Lynch's headquarters in New York.

The Thundering Herd is demoralized. Bank of America is having to pay millions of dollars to retain brokers — and still the better ones are leaving. A Bank of America competitor told me the other day that he could hire anybody he wanted from Merrill Lynch.

All of which is to say that if Kenneth D. Lewis does wind up being fired as Bank of America's chief, it won't be because the government is unhappy with his performance. It will be because shareholders are unhappy.