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Mortage aid raised concerns among Fed members

Minutes show debate over whether to expand or scale back program

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WASHINGTON — Some Federal Reserve policymakers last month were conflicted over whether to expand or cut back a program intended to drive down mortgage rates and bolster the housing market, according to a document released Wednesday.

Minutes of the Fed's closed-door meeting on Dec. 15-16 revealed that a "few members" thought that the Fed's $1.25 trillion program to buy mortgage securities from Fannie Mae and Freddie Mac might need to be expanded and extended beyond its current end date of March 31. Such an additional dose of stimulus would be especially needed if the economic recovery were to weaken, they argued.

However, one member thought the program could be "scaled back" given the improvement in economic and financial conditions.

The debate over the future of the program comes amid uncertainties about the vigor of the budding economic recovery.

At the December meeting, Fed policymakers decided not to make any changes to the program. At their September meeting, they opted to slow the pace of the purchases, wrapping them up by the end of March, rather than the end of 2009.

The minutes don't identify speakers by name but seeks to provide a more detailed account of the Fed's private discussions.

Some Fed officials remained concerned about the economy's ability to mount a self-sustaining recovery once government supports are removed. To that end, those officials worried that improvements seen in the housing market might be "undercut" this year as the Fed's mortgage-buying program winds down, the government's home buyer tax credits expire at the end of April and home foreclosures grow.

Getting the housing market back on firm footing is a key ingredient to a lasting recovery. The collapse of the housing market was the catalyst for the longest and worst recession to hit the country since the 1930s.

"Generally the outlook was for gains in housing activity to continue. However, some participants still viewed the improved outlook as quite tentative and again pointed to potential sources of softness," the minutes said.

To nurture the recovery, the Fed at the December meeting kept its key bank lending rate at a record low and pledged to hold it there for an "extended period."