

# Gas prices expected to rise

Summer to eclipse 2011 cost by 6.3%

By CHRIS KAHN  
Associated Press

**New York** — U.S. drivers will pay an average of 24 cents more per gallon for gasoline during this summer's travel season, the government said Tuesday.

Gasoline will cost an average of \$3.95 per gallon from April through September, an increase of 6.3% from the same period last year, the Energy Information Administration predicted. The peak should come in May, when gas averages \$4.01 per gallon, the agency said.

Gasoline already has jumped by 20% this year to a national average of \$3.92 per gallon, according to auto club AAA's Daily Fuel Gauge Report. In Milwaukee, a gallon of regular averaged \$3.945, or 4 cents higher than the statewide average,

according to AAA.

Prices have both a financial and psychological effect on drivers, experts say. Already, high prices have led to strong sales of gas-sipping vehicles like the Toyota Prius, and they've become a major issue in the presidential campaign.

Further price hikes will affect the kind of vacations Americans take and will likely impact how they feel about the economy. They may even influence how Americans vote in November.

"People are going to notice" if the national average crosses \$4, said Fred Rozell, retail pricing director at Oil Price Information Service. "Any time the price goes up, it's going to affect things."

The government said there's a small chance the price could climb as high as \$4.50 a gallon in June.

Pump prices have risen with crude oil, which is re-

fining into gasoline and other fuels. Brent crude, which is used to price most of the oil used by U.S. refineries, has jumped by 14% this year. Benchmark U.S. crude has increased by 4%. The increase is largely due to a dispute over Iran's nuclear program that has raised fears of a disruption in Middle East supplies.

Americans have responded to high prices by using less gasoline. That should continue over the summer, the government says. But energy forecasters still expect households to spend an average of \$3,410 for gas this year, up \$250 from last year.

The tourism industry pays close attention to gasoline prices during the summer since it has such a big impact on their bottom line.

Anne Banas, executive editor of the travel website SmarterTravel.com, said that higher gas prices might force travelers to stay at

cheaper hotels this summer. They also may decide to cut their trips short. But most won't stay home.

"People will still travel for summer vacation and still perceive a driving vacation as cheaper than flying," Banas said.

The government made a number of other predictions in its report:

■ Refineries will produce less gasoline and other fuels this summer. The decline of about 0.6% is due partly to closures of three refineries that feed East Coast markets. Another refinery in Philadelphia is expected to be closed by July 1 if the owner, Sunoco Inc., can't find a buyer.

■ Diesel prices should be 27 cents per gallon higher during the summer driving season at an average of \$4.21 per gallon. Prices could peak at a monthly average of \$4.25 per gallon in the middle of the driving season.

# Forgiving home debt may pay

Official says it might help Freddie, Fannie

By JOHN H. CUSHMAN JR.  
New York Times

**Washington** — The director of the government's housing finance agency said Tuesday that it might make sense for Fannie Mae and Freddie Mac to reduce the amount of money homeowners owe on loans held by the agencies.

Because of new incentives put in place by the Obama administration, the ailing agencies might cut their losses from bad loans by easing up on the borrowers, he said.

Edward J. DeMarco, who as acting head of the Federal Housing Finance Agency

has long opposed this type of relief for people whose homes are worth less than their mortgage debts, said that a new analysis showed that Fannie and Freddie could end up losing less money by forgiving some of the principal than by facing more widespread losses on loans that are underwater. The new analysis was conducted to estimate the effects of an Obama administration program that increased incentives for investors to cut the principal owed by borrowers.

But he warned that the idea has its limits and would affect fewer than 1 in 10 of the 11 million troubled U.S. borrowers.

"This is not about some huge difference-making pro-

gram that will rescue the housing market," he said.

Many experts on housing and the economy consider loan forgiveness to be one of the most promising but least used tools for keeping people in their homes and reversing the economic drain from the collapse of the housing market. But others call it an unfair form of meddling in the marketplace.

## Drawbacks cited

DeMarco, up until now, has said that it was not in the best interests of Fannie and Freddie, which held many of the troubled loans and were put under his conservatorship when the government had to bail them out during the financial crisis.

But in his speech, he said

that under certain assumptions, allowing the enterprises to forgive some debt could cut their losses by \$1.7 billion.

DeMarco, who is an independent regulator, said the analysis was still being completed and cited several drawbacks.

For one thing, because the savings to the enterprises come from new incentives paid for by the Treasury, taxpayers would still be footing the bill at a net cost of \$2.1 billion.

And he asked whether some homeowners who have been keeping up with their payments might claim hardship or even stop making payments to qualify for relief.