CONGRESSMAN GARY G. MILLER

PRESS RELEASE

CALIFORNIA'S 31ST DISTRICT

House Members Insist FHFA Maintain Current Loan Limit Levels

WASHINGTON, DC- Rep. Gary G. Miller (CA-31), Vice Chairman of the House Financial Services Committee, along with Rep. Carolyn B. Maloney (NY-12), Ranking Member of the Subcommittee on Capital Markets and Government Sponsored Enterprises (GSE), and Rep. Brad Sherman (CA-30), a Senior Member of the House Financial Services Committee, championed a letter to Edward DeMarco, Acting Director of the Federal Housing Finance Agency (FHFA), opposing any FHFA action to reduce loan limits. The letter was signed by a bipartisan group of 66 House Members.

Congressman Miller said: “Congress did not give FHFA the authority to reduce the loan limits. In fact, we included language in statute explicitly stating that the loan limits could not be reduced. Congress is currently working on housing finance reform and this larger conversation is the appropriate place to discuss the definition of conforming loans.

“Housing prices are on the rise, but lowering the loan limits could put the housing market’s fragile recovery at risk. This is not consistent with FHFA’s role as conservator. Lowering the limits would place taxpayers at greater risk due to a decline in home values, ultimately harming the GSEs’ financial positions. While we need to attract more private capital participation in the mortgage market, a reduction in the loan limit is not the right way to achieve this goal.”

Currently, the maximum value of a mortgage that Fannie Mae and Freddie Mac can purchase is $417,000. For homes located in high cost areas where the median home price exceeds $417,000, the loan limit is 115% of that area’s median house price, but cannot exceed $625,500. Congressmen Miller and Sherman authored this high cost area conforming loan limit in 2008. They have also authored legislation to make the higher conforming loan limits permanent.

The National Association of Realtors, the National Association of Home Builders, and the Mortgage Bankers Association have also gone on record opposing any FHFA action to decrease the loan limits.

Full text of the letter is below:

Dear Acting Director DeMarco,

We are deeply concerned by your recent statement that “FHFA has been analyzing approaches for reducing Fannie Mae and Freddie Mac loan limits across the country and any such change would be announced with adequate advance notice for implementation on January 1, 2014.”

Such action by a single regulator would serve only to further tighten credit availability and thereby erode progress in our fragile housing recovery. Currently, homeownership rates are at an historic 18-year low. Mortgage credit is virtually nonexistent for middle class Americans with less than stellar credit. Unless borrowers have a credit score of 760, conventional mortgage financing will simply be out of reach.

Moreover, housing is the cornerstone of our economy, and arbitrary regulatory reduction of the conforming loan limit will further disrupt our overall economic recovery. We think you said it best yourself, when you testified before the House Financial Services Committee on May 25, 2011 that the Director of FHFA, as conservator, has not unilaterally set the maximum loan rate, proclaiming, "That essentially has never been done. And as I testified before, I don't intend to act unilaterally in lowering the loan limit because the Congress of the United States has been so actively and repeatedly involved in adjusting the conforming loan limit. I believe that is an important issue of national policy."

You further articulated our shared concern, "I think for me to do this unilaterally would risk some disruption in the marketplace. It could be inconsistent with my responsibilities as conservator. I really and truly believe that the Congress of the United States is the body that should make the determinations about the future path of the loan limit if it is going to be something other than what current law provides."

We could not agree more. The Housing and Economic Recovery Act of 2008 contains specific language prohibiting the conforming loan limit from declining. It states that if the "annual adjustment is a decrease, then no adjustment shall be made." This is a clear indication of Congressional intent to retain stability for housing markets.

We urge you to continue to defer to the United States Congress on whether the conforming loan limits should be reduced and allow our delicate recovery in housing to continue.

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