September 19, 2013

Dear Representative:

The Federal Housing Finance Agency (FHFA) has indicated its intention to change the conforming loan limits. In the Housing and Economic Recovery Act (HERA), Congress determined the permanent conforming loan limits, and provided rules on how and when they could be changed. FHFA Acting Director DeMarco appears to be making decisions above and beyond this authority provided by Congress and may significantly damage local housing markets. Representatives Maloney (D-NY), Miller (R-CA), and Sherman (D-CA), are circulating a letter to Acting Director DeMarco, urging him not to take this action. We ask you to sign this letter.

Our nation's housing market is still on the path to recovery. While there has been some return of private mortgage lending, without the benefit of a federal guarantee, it remains limited and available only to the most highly qualified borrowers. Minimum down payments remain very high, as do minimum credit scores. As an example, one of the most recent private label security offerings consisted of loans to borrowers with an average FICO score of 769 (out of 850) and with loan-to-value ratios of 66%, representing an average down payment of 34% for purchase loans. Obviously this would place homeownership far out of reach for many credit-worthy borrowers.

Lowering the loan limits in high-cost areas is unfair to Americans who live in those communities. While high cost loans make up a low percentage of all loans, it is simply a matter of equity for those living in high-cost markets where many millions of families live. Without higher loan limits in these areas, many hard-working, middle-income families will be denied homeownership just because they happen to reside in an area of high home prices.

Lowering loan limits also would also create confusion and uncertainty for potential borrowers and lenders, especially in the months leading up to any reduction. There is already turbulence enough in the regulatory environment for mortgage lending. In January 2014, the FHA limits are scheduled to go down to the permanent HERA limits. Also at that time, many changes stemming from the Dodd-Frank Act will go into effect, including the "ability-to-repay" requirements. The risk retention (QRM) regulations remain in flux. Adding even more confusion and uncertainty in this environment runs the risk of reversing progress being made in the housing and economic recovery.

Again, we urge you to oppose this unilateral action by the FHFA, and sign onto the Maloney/Miller/Sherman letter.

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