

Asian Real Estate Association of America
Leading Builders of America
Mortgage Bankers Association
National Association of Hispanic Real Estate Professionals
National Association of Home Builders
National Association of Local Housing Finance Agencies
National Association of Realtors
National Community Development Association
United States Conference of Mayors

December 12, 2013

The Honorable Shaun Donovan
Secretary
Department of Housing and Urban Development
451 7th Street SW
Washington, DC 20410-0500

Dear Secretary Donovan,

The undersigned organizations write to express strong concern with the Department of Housing and Urban Development's recent announcement of substantial reductions in Federal Housing Administration (FHA) loan limits in numerous counties across the country. We understand that many of these reductions are at least in part due to the expiration of the temporary authority for higher loan limits under the Consolidated and Further Continuing Appropriations Act of 2012, but the unexpectedly large reductions in loan limits in some areas cannot be explained by that factor alone. HUD has not provided information on its methodology for establishing the new loan limits, so it is not clear why many areas experienced limit reductions much larger than what was expected as a result of the statutory change.

We believe that HUD should provide public access to the process by which it determines loan limits in order to provide transparency and reduce confusion. In addition, to the extent that these reductions in the loan limits are not required by the statutory change in the loan limit calculation, we strongly urge HUD to change its approach. For example, we recommend that HUD not lower the limit in an area beyond the amount due to the change from the temporary to permanent statutory loan limit provisions, or to phase-in reductions that are greater than that magnitude. Finally, HUD has provided inadequate time (to January 6) for appeals of the new local area limits. We recommend that this time period be extended to at least 90 days from the date of the announcement (to March 6) to provide additional time to present data to HUD which could result in a reevaluation of loan limits for a particular area.

Our analysis shows that more than 300 counties face reductions in FHA loan limits which are greater than 10 percent and appear to be independent of the expiration of the high-cost loan limits. In some counties the reduction in loan limits is over 50 percent. While the housing market has improved in many areas of the country, the recovery remains fragile and uneven, especially in many of the areas where HUD has most severely reduced FHA loan limits. Purchasing a home remains a challenge for many potential homeowners due to the restrictive availability of credit. Many borrowers in areas affected by the reductions rely on FHA-insured products and would not have qualified under the low loan-to-value and tight credit standards currently required by the private market. These conditions leave the American dream of home ownership out of reach for many families.

Without access to affordable low downpayment financing, families are unable to purchase or refinance homes, and those who wish to sell find it more difficult, all of which will continue to prolong our housing crisis. As proposed, the turbulence these reductions will create runs the risk of reversing progress being made in the economic recovery.

Thank you for the careful consideration of our request.

Sincerely,

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