

# NAR Issue Brief

## Menendez-Isakson Loan Limit Amendment

The bipartisan amendment would restore the recently expired maximum conforming loan limit of 125% of Area Median Home Price (rather than 115%) and \$729,750 (rather than \$625,000) for two years through December 31, 2013 for FHA, GSE, and VA loans. The loan limits have been extended for the past few years on the Treasury HUD appropriations bills.

### Why We Need the Amendment

- The housing market remains very weak, in part due to buyers not being able to obtain private financing.
- Experts, including 8 of the 9 bipartisan witnesses who testified in a recent Housing Subcommittee hearing, have agreed that the conforming loan limits should be temporarily extended.
- Dr. Mark Zandi, Chief Economist of Moody's Analytics, has reversed his position and is now urging that the limits be extended for "at least" another year.
- New research by NAR confirms the market fragility and shows a widespread chilling of the market in communities affected by the lower loan limits.
- The reduced conforming loan limits have forced many potential homebuyers into the jumbo loan category where they have limited options and higher costs.

### It Pays for Itself

- According to the Congressional Budget Office, the amendment will actually save \$11 million over 10 years and \$2 million in FY12.
- It is fully paid for by creating a "premium loan fee" of 15 basis points per year that would apply only to those loans priced between the current lower limit and the recently expired higher limit.
- The borrower would be directly paying for the costs of those loans, not American taxpayers

### Broad Based Senate Support

The Menendez-Isakson amendment is similar to the Homeownership Affordability Act (S.1508), which has bipartisan cosponsors, including Senators Begich (D-AK), Blumenthal (D-CT), Boxer (D-CA), Brown (R-MA), Cardin (D-MD), Chambliss (R-GA), Coons (D-DE), Feinstein (D-CA), Inouye (D-HI), Isakson (R-GA), Lautenberg (D-NJ), Lieberman (I-D-CT), Merkley (D-OR), Mikulski (D-MD), Nelson (D-FL) and Schumer (D-NY).

### Industry Support

National Association of Realtors,  
National Association of Homebuilders,  
Mortgage Bankers Association,  
Leading Builders of America,  
American Land Title Association,  
Community Mortgage Lenders of America,  
Consumer Mortgage Coalition,  
The Council of North American Insulation Manufacturers Association,  
National Reverse Mortgage Lenders Association,  
Realogy Corporation,  
Real Estate Valuation Advocacy Association,  
Lenders One,  
VA Mortgage Center.