



NATIONAL  
ASSOCIATION of  
REALTORS®

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July 14, 2011

United States House of Representatives  
Washington, DC 20515

Dear Representative:

It is no secret that our economy remains weak. Any further disruption to the market will stall our recovery. On behalf of the National Association of REALTORS, I am writing to strongly urge your support to extend the current FHA and GSE loan limits that are set to expire September 30, 2011. With housing markets struggling nationwide, the last thing Congress needs to do is allow an avoidable stumbling block be placed in the path of a much needed housing recovery.

On October 1, 2011, mortgage loan limit formula and cap will fall. This will cause a significant drop in housing prices in more than 669 counties in 42 states and the territories. We estimate the average decline to be more than \$68,000. Housing prices will drop because loans will only be available at the lower limits. Given how fragile our nation's economic recovery is, this cannot be allowed to occur. The National Association of REALTORS® urges you to extend the FHA and GSE loan limits for another year, while our housing market continues to heal.

Changing the formula for the loan limits (from 125% to 115% of median home price) and lowering the cap means that some 5 million homes—roughly 27% of all owner-occupied homes in the United States—will become ineligible for mortgage financing, since there is little to no private mortgage financing available. Moreover, more than 59% of all owner-occupied housing in the nation will be ineligible for affordable FHA financing.<sup>1</sup> If families can't sell their homes and others cannot buy, the inventory of homes for sale will grow, further reducing housing values nationwide. The current inventory is at more than 9 months' supply. A healthy market is much lower at 6 months. We do not need to increase inventory by making it harder for people to buy homes.

Lenders have **already** begun rejecting applications at the higher loan limits, because closings are taking an average of 45–60 days. Congress cannot wait to act. If the limits expire, homes priced above the new lower limits will be very difficult to sell. Given all the constriction and new regulation in the market, we cannot handle any further disruption.

The National Association of REALTORS® strongly opposes any vote to reduce the FHA and GSE loan limits. We urge you to support an extension of these limits. The housing recovery is fragile. This disruption could lead to another dip in housing prices, one that will hurt our overall economy. **Please do not place our nation's housing recovery in continued jeopardy!** Support extending the loan limits to ensure families across the country have ongoing access to safe, affordable mortgages.

Sincerely,

Ron Phipps, ABR, CRS, GRI, GREEN, e-PRO, SFR  
2011 President, National Association of REALTORS®



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<sup>1</sup> According to data compiled by the National Association of Home Builders, "GSE and FHA Loan Limit Changes for 2011: Scope of Impact"

CNN Money

7/8/11

**News flash!  
It's still a sluggish economy!**

International Business Times

6/22/11

**'Long Way To Go'  
For U.S. Housing Market Recovery**

Investors Business Daily

6/15/11

**The Housing  
Depression Deepens**

# Don't Stall Recovery

This week members of the NATIONAL ASSOCIATION OF REALTORS® will be visiting Capitol Hill. Their message? If you want our economy to recover, now is not the time for Congress to make changes that will deepen and prolong the housing crisis. Congress can take two simple steps that will provide stability to the housing market and help with our economic recovery.

## **STEP 1 – REAUTHORIZE NATIONAL FLOOD INSURANCE**

This past spring we experienced historic flooding, especially along the Mississippi River. Millions of Americans rely on the National Flood Insurance program for flood protection. This critical program is due to expire at the end of September—reauthorize it now.

## **STEP 2 – KEEP MORTGAGE LOAN LIMITS AT THEIR CURRENT LEVELS**

Our housing market remains fragile and cannot handle a mortgage disruption like lowering limits. Over 5 million homes will be affected, unable to receive financing and slowing our economic recovery even further. Also due to expire at the end of September—Congress can't wait to prevent this change from taking affect.

**Congress: A stable housing market is critical to our economic recovery. Act now to keep these necessary programs from expiring.**



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