September 21, 2011

The Honorable Daniel Inouye
Chairman
Committee on Appropriations
United States Senate
722 Hart Senate Office Building
Washington, DC 20510

The Honorable Thad Cochran
Ranking Member
Committee on Appropriations
United States Senate
113 Dirksen Senate Office Building
Washington, DC 20510

Dear Chairman Inouye and Ranking Member Cochran:

Today the Senate Appropriations Committee will markup the FY2012 Transportation, Housing and Urban Development and Related Agencies Appropriations bill. At the markup, Senator Feinstein (D-CA) will offer an amendment to extend the mortgage loan limits. Our nation's housing markets remain fragile and cannot handle any additional market disruption. You can prevent further disruption by extending the current mortgage loan limits.

Testifying before the Senate Banking Committee last week, Dr. Mark Zandi, Chief Economist and Co-Founder Moody's Analytics, urged that the limits be extended for "at least" another year. This is a reversal of Dr. Zandi's position from earlier this year, when he had supported the expiration. Noting the continuing fragility of housing markets nationwide, he said that allowing the limits to expire would be "an error."

The loan limit is comprised of two basic parts—the cap and the formula. The cap is currently set at $417,000 except in high cost areas where it is $729,750—which means that regardless of an area's median home price, the loan limit cannot go above $729,750. If allowed to expire, the high cost area cap will decrease to $625,500. In total, approximately 75 counties in 13 states will see declines due to the high cost area decrease.

The second component of the loan limit, the formula, determines how the loan limits are derived for each county. The formula is currently set at 125% of local area median home price; it is set to decline to 115% of local area median home price. The reduction of the formula from 125% to 115% will impact approximately 593 counties in 42 states. These include more than 100 counties throughout the Midwest, and more than 200 counties in the South. The average decline in non-high cost areas will be more than $64,000. If families cannot obtain financing to buy, sellers will need to further reduce the price on their home. This will further erode the wealth of American families and will prolong the nation's economic recovery.

The undersigned organizations strongly urge you to **support the Feinstein amendment**. A housing recovery cannot support such a market disruption. Do not precipitate more turmoil in local markets. Housing is the cornerstone of our economy, and further disruption to this market will have serious negative consequences.

Sincerely,

American Land Title Association
Community Mortgage Lenders of America
Lenders One
Mortgage Bankers Association
National Association of Home Builders
National Association of REALTORS®

cc: Members, Senate Committee on Appropriations