NATIONAL ASSOCIATION of REALTORS®
REALTOR®

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November 1, 2011

United States House of Representatives
Washington, DC 20515

Dear Representative:

The Republican Study Committee (RSC) recently sent out a weekly report, expressing concern about reinstating the mortgage loan limits. However, the report didn't tell the whole story. It is undisputed that local housing markets remain fragile. Prices have yet to stabilize and mortgage availability remains tight. On October 1st, mortgage liquidity was further restrained by a lack of Congressional action.

- **The loan limits are not the same as GSE reform.** The National Association of REALTORS® remains strongly committed to comprehensive GSE reform. But allowing the mortgage loan limits to expire in October was an arbitrary decision, not one linked to any improvement in mortgage conditions or housing market stability. Creating more market disruptions BEFORE providing reform of mortgage markets will only hurt our recovery.

- **The loan limits is NOT just a high cost issue.** There are 669 counties that have seen a loan limit reduction and only 75 of those counties were at the upper limit, the rest were impacted by the drop in percentage of median area sales price. More than 100 counties throughout the Midwest, and more than 200 counties in the South have experienced declines averaging more than $64,000. The majority of markets impacted by the loan limit decline are NOT high cost.

- **The loan limits provision is fully paid for, and won't cost taxpayers a dime.** CBO scores this provision as saving the Treasury $11 million over ten years. Borrowers of these mortgages will pay fees that will cover the cost.

- **The Senate measure to reinstate the limits is temporary** – restoring the higher limits while the housing and mortgage markets stabilize. Last month noted economist Mark Zandi said policy makers could shore up the housing market by "extending the current higher conforming loan limits that are set to decline in a few weeks."[1]

- **The private market has not yet returned.** An October CRS report stated that, "Since 2007, the market for private, non-GSE mortgage-backed securities has all but disappeared."[2] Several securitization transactions of only the most premium loans do not signal a return of the market.

- **If families cannot obtain financing to buy, home prices will continue to fall.** This will further erode the financial security of American families, further diminish consumer confidence in home prices, and will prolong the nation's economic recovery.

[1] Mark Zandi, Chief Economist and Co-Founder Moody's Analytics Before the Senate Committee on Banking, Housing, & Urban Affairs *"New Ideas for Refinancing and Restructuring Mortgage Loans",* September 14, 2011, written testimony.

[2] Congressional Research Service, The Conforming Loan Limit, October 6, 2011

The THUD-Ag Appropriations provision will restore the higher limits, allowing homebuyers to obtain financing, and paid for by those receiving the loans. Restoring the limits is a priority for the National Association of REALTORS®. We urge you to support this provision as the bill goes to conference. Homeowners, homebuyers and our national economy cannot handle such a risk. Reinstate the higher loan limits NOW to prevent further disruption and decline in housing markets.

Sincerely,

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