



NATIONAL ASSOCIATION OF REALTORS®

The Voice For Real Estate®

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September 16, 2005

The Honorable David Dreier
Chairman
Committee on Rules
U.S. House of Representatives
233 Cannon House Office Building
Washington, D. C. 20515

Dear Chairman Dreier:

I am writing to express the strong support of the National Association of REALTORS® (NAR) for the provision in H.R. 1461, the "Federal Housing Finance Reform Act of 2005," that would authorize the new regulator of the GSEs to make regional adjustments to conforming loan limits for high-cost areas. NAR respectfully urges the Committee to retain this provision in the version of the bill to be considered by the House on the floor and to reject any amendments that seek to remove this provision during floor consideration.

Authorizing regional adjustments to conforming loan limits is important for three main reasons:

1) Equity for Families in High-Cost Areas

Authorizing regional adjustments to conforming loan limits for the relatively few high cost metropolitan areas is a matter of simple equity for American families residing in these markets. The 2005 national cap of \$359,650 is well above the national median sales price of \$208,500 for single family homes and exceeds the local median for the vast majority of housing markets. However, the 2005 national cap is considerably below the local median in a few high cost metropolitan areas.

The current uniform national cap on the size of mortgages that the GSEs (Fannie Mae and Freddie Mac) can purchase makes it harder for families in high cost housing markets to own their homes because it restricts their access to low cost, low downpayment, fixed rate mortgages. High-cost areas have relatively low homeownership rates and relatively high concentrations of minority households. Regional limits will help boost the national homeownership rates, especially for minorities.

Regional adjustments will help more low- and moderate-income working families in high-cost areas qualify for conforming GSE loans. It will also expand access to FHA and VA mortgages, since both FHA and VA loan limits are tied to the conforming ceiling. Veterans, teachers, firefighters, and police officers are examples of working families who stand to benefit. Access to safe and affordable mortgages is especially important for first-time homebuyers.

2) Limited Impact on GSEs

Limited regional adjustment authority will enable the GSEs to purchase relatively few additional total mortgages from only a few high-cost areas. An NAR-commissioned study estimates that the number of conforming purchase money loans purchased by the GSEs will increase by only 2.3% nationally. And it is important to note that the GSE goals for low- and moderate-income housing will not change. Based on NAR's Survey of Existing Home Sales for the second quarter of 2005, only the following 12 metropolitan statistical areas would be affected.

Barnstable Town, MA (Cape Cod)	Washington-Arlington-Alexandria, DC-VA-MD-WV	Sacramento—Arden-Arcade—Roseville, CA
Boston-Cambridge-Quincy, MA-NH	Sarasota-Bradenton-Venice, FL	Los Angeles-Long Beach-Santa Ana, CA
Bridgeport-Stamford-Norwalk, CT	Miami-Fort Lauderdale-Miami Beach, FL	Riverside-San Bernardino-Ontario, CA
NY-Northern NJ-Long Island, NY-NJ-PA	San Francisco-Oakland-Fremont, CA	San Diego-Carlsbad-San Marcos, CA

3) Access to Safer Mortgages.

Regional adjustments to conforming loan limits for high cost areas gives homebuyers access to safer mortgages, which is especially important for first-time homebuyers. Borrowers in high cost markets such as California currently account for a disproportionate share of interest-only and option ARM mortgages. Greater access to GSE, FHA, and VA mortgages will help promote homeownership in a safer, more sustainable way.

Please let me know if you have any questions or would like more information about this important issue.

Sincerely,



Al Mansell, President
National Association of REALTORS®

cc:

The Honorable Lincoln Diaz-Balart	The Honorable Louise McIntosh Slaughter
The Honorable Doc Hastings	The Honorable James McGovern
The Honorable Pete Sessions	The Honorable Alcee Hastings
The Honorable Adam Putnam	The Honorable Doris Matsui
The Honorable Shelley Moore Capito	
The Honorable Tom Cole	
The Honorable Rob Bishop	
The Honorable Phil Gingrey	