

October 8, 2013

Mr. Edward DeMarco  
Acting Director  
Federal Housing Finance Agency  
400 7<sup>th</sup> Street SW  
Washington, DC 20024

Dear Acting Director DeMarco:

The undersigned organizations write to express concern with the recent reports that the Agency is considering lowering the size of the mortgages that Fannie Mae and Freddie Mac can finance in housing markets across the nation. We believe such changes at this time would have a very disruptive impact on the availability of affordable housing credit, on our housing recovery and our economy as a whole. Not only is lowering loan limits bad for housing, we question to what extent FHFA's authority would allow for such a change considering Congressional intent when passing the HERA law was certainly opposed to a reduction.

The HERA language specifically prohibits the limits from decreasing. Section 1124 of Public Law 110-289 reads:

“...such maximum limitations shall be adjusted effective January 1 of each year beginning after the effective date of the Federal Housing Finance Regulatory Reform Act of 2008, subject to the limitations in this paragraph... If the change in such house price index during the most recent 12-month or 4-quarter period ending before the time of determining such annual adjustment is a decrease, **then no adjustment shall be made** for the next year, and the next adjustment shall take into account prior declines in the house price index, so that any adjustment shall reflect the net change in the house price index since the last adjustment. Declines in the house price index shall be accumulated and then reduce increases until subsequent increases exceed prior declines.”

This language clearly indicates that the limits shall NOT decline below the current \$417,000.

Our nation is on the path to recovery. Yet purchasing a home remains a challenge for many potential homeowners due to the restrictive availability of credit. During the past four years, the average credit score of approved conventional loans has been in the range of 760 to 770. A reduction of the conventional conforming loan limit to \$400,000 would have impacted nearly 154,000 borrowers in 2012, many of whom were in markets still in recovery. Additionally, many of these borrowers would not have qualified under the low loan-to-value and tight credit standards currently required by the private market. These conditions leave the American dream out of reach for many families. Lowering the loan limits further restricts liquidity and makes mortgages more expensive for households nationwide. Without affordable financing, families are unable to purchase or refinance homes, and those who wish to sell find it more difficult, all of which will continue to prolong our housing crisis.

In January, many changes stemming from the Dodd-Frank Act will go into effect, including the “ability-to-repay” requirements, while others such as the proposed risk retention (QRM) regulation are keeping the mortgage market in flux. This turbulence runs the risk of reversing progress being made in the economic recovery. Please do not further complicate this time by changing the mortgage loan limits at this time.

Sincerely,

American Escrow Association  
American Financial Services Association  
American Land Title Association  
Asian Real Estate Association of America  
Community Home Lenders Association  
Community Mortgage Lenders of America  
Credit Union National Association

Leading Builders of America  
Mortgage Bankers Association  
National Association of Federal Credit Unions  
National Association of Hispanic Real Estate Professionals  
National Association of Home Builders  
National Association of REALTORS®  
The Realty Alliance