

FHA and GSE Loan Limits

Congressional Action Needed:

- Make permanent the current higher mortgage loan limits for FHA and the GSEs (Freddie Mac and Fannie Mae).

House Actions to Date:

- Legislation has been introduced in the House to make the current limits permanent. H.R. 1754, the "Preserving Equal Access to Mortgage Finance Programs Act", is sponsored by Reps. Miller (R-CA) and Sherman (D-CA).

Senate Actions to Date:

- No legislation to make the higher loan limits permanent has been introduced in the Senate..

What to Tell Your Representatives and Senators:

- Make the current mortgage loan limits for FHA and the GSEs permanent in order to ensure that all American families have equal access to affordable mortgage financing and to eliminate uncertainty caused by projected decreases in maximum mortgage amounts.

Issue Background:

Mortgage Loan Limits will drop without Congressional Action

The current loan limits are set to expire on September 30, 2011. Unless Congress acts, FHA and GSE loan limits will drop to 115% of local area median home price with a cap of \$625,500 (from the current limit of 125% of local area median home price with a cap of \$729,750).

Decreasing the Limits Impacts NEARLY every state – NOT JUST HIGH COST AREAS!

FHFA and FHA have published the new limits, and more than 669 counties in 42 states and the territories would be negatively impacted by the loan limit change. The average decline in loan limits would be more than \$68,000. Only 8 states will see no decline (AR, IA, KS, MS, NE, ND, SD, & OK). Every other state will see a drop in loan limits!

Housing Markets are Rebounding, but the Recovery will be Slow.

With tight underwriting constraining mortgage availability, lowering the FHA/Fannie/Freddie loan limits will only further restrict liquidity. Even with the current higher limits, borrowers are finding it more and more difficult to obtain affordable mortgage financing. Making the current limits permanent at levels appropriate in all parts of the country will provide homeowners and homebuyers with safe, affordable financing and help stabilize local housing markets.

It's a Matter of Fairness.

Retaining the current loan limits will allow homebuyers in higher cost areas to have access to affordable mortgage financing and share the same opportunity to achieve homeownership that borrowers in other regions of the country enjoy.

Congress Cannot Wait.

Although the limits don't expire until September 30, action cannot wait. It takes FHA and the GSEs several months to reset their underwriting systems to accept the loan limits. If there is a delay beyond July, there will be a gap in loan limits, and borrowers will be left in limbo.