

Statement of Congressman Gary G. Miller
H.R. 5140, the Economic Growth Package
January 29, 2008

I strongly support H.R. 5140, the much needed Economic Growth Package to address troubles in the mortgage marketplace.

In the past year, we have witnessed significant upheaval in the U.S. housing markets. Increased delinquencies and defaults among borrowers have contributed to turmoil in the mortgage finance sector which has affected our entire economy. Many areas of the country have been heavily impacted by the mortgage crisis, with many families facing increased payments and foreclosures.

Over the years, many hard working families have been faced with a situation where they are either unable to own homes or they are forced to resort to risky loans that might impair their ability to keep their home. This is especially true in high cost areas of the country, like California, New York, Massachusetts, and Connecticut, where statutory loan limits have eliminated federal housing programs as an option to purchase entry-level homes.

Under the current loan limits, FHA products have become unavailable for homebuyers in high cost areas of the country because the maximum mortgage limit is lower than housing prices. Families who need and qualify for FHA have been unable to participate in the program due to these geographic barriers.

The median home prices in high cost areas, like my district in Southern California, is well above the GSE conforming loan limit of \$417,000. A starter home for a family in Los Angeles, for example, usually puts a buyer into the so-called "jumbo" loan market. Jumbo loan premiums add hundreds of dollars onto a monthly payment for a fixed-rate loan. Thus, many moderate income families have been priced out of a home loan by virtue of where they live and work.

Housing experts predict that the number of foreclosures that have occurred over the last year may double in the next two years as more adjustable rate mortgages with low introductory rates reset at significantly higher levels. By increasing the conforming loan limits, Fannie Mae, Freddie Mac, and the FHA program will have the ability to put affordable home purchases and refinancing options within reach of more moderate-income families.

Chairman Frank and I have been working for many years to create affordable housing opportunities for families across the country by increasing the conforming loan limits. Many communities in America are being underserved by the GSEs and FHA, because home prices in these areas surpass the national loan limit. I am pleased we are addressing this disparity in the legislation before us today and hope that the Senate also supports this critical change.

In addition to providing much needed liquidity to the struggling mortgage market, increasing the conforming loan limit will make safe, conforming mortgage loans available for homebuyers across the country and reduce aggressive lending practices that have contributed to the current credit and housing crisis.

Foreclosure rates are rising with harmful effects for borrowers, lenders, the neighborhood, and our overall economy. As we continue to experience instability in the housing market, this important change will be essential for successful homeownership. There is no more important priority for Congress than helping to keep families in their homes.

Thank you, Madame Speaker.