

PRESS RELEASE

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Miller, Frank Urge Congressional Leaders to Retain Increased Loan Limits in Stimulus Package

Washington, DC – In a letter delivered to congressional leaders this afternoon, Congressman Gary Miller and Chairman of the House Financial Services Committee Barney Frank urged the inclusion of increased loan limits for FHA and the GSEs in the final version of an economic stimulus package.

Their letter to Speaker Nancy Pelosi, Republican Leader John Boehner, Majority Leader Harry Reid, and Republican Leader Mitch McConnell reads as follows:

“As you continue to consider legislation to stimulate the economy, we respectfully ask that you maintain language contained in H.R. 5140, the Recovery Rebates and Economic Stimulus for the American People Act of 2008, to temporarily increase the FHA loan limits and GSE conforming loan limits.

“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 thousands of 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 buy a home, 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 in California, New York, Massachusetts, Connecticut, Florida, New Jersey, Colorado, and Pennsylvania, where statutory loan limits have effectively eliminated the primary sources of mortgage loans for the purchase of entry level homes.

“The median home prices in high cost areas is well above the GSE conforming loan limit of \$417,000. A starter home for a family in certain areas of California, New York, Massachusetts, and Connecticut, usually puts a buyer into the so-called “jumbo” loan market. Interest rates on jumbo loans currently exceed rates on GSE loans by more than a full percentage point, thus adding hundreds of dollars onto the monthly payment of a loan. The result is that many moderate income families have been priced out of buying homes in these markets. The bill addresses this problem by permitting GSEs to purchase loans above the \$417,000 level, but only in areas where median home prices justify such higher levels.

“FHA limits are even more restrictive. The current FHA nationwide loan ceiling is only \$362,790. In addition, FHA-insured loans may not exceed 95% of the local median home price. This 95% of the local median home price restriction means that even in moderately priced housing markets, FHA may not insure a significant portion of the middle market. H.R. 5140 addresses this problem by raising the nationwide FHA ceiling to the same level as it sets for GSE loan purchases and raises the local median home price formula calculation to capture more of the middle market.

“In addition to providing much needed liquidity to the struggling mortgage market, increasing the conforming loan limit would 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.

“As you consider the legislation to stimulate the economy, we respectfully ask that you retain this critical change in the loan limits to meet the needs of the marketplace.”

Congressman Gary Miller serves on the House Financial Services Committee where he is also a senior member of the Subcommittee on Housing and Community Opportunity and ranking member of the Subcommittee on Oversight and Investigations.

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