

PRESS RELEASE

Congressman Gary G. Miller
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FOR IMMEDIATE RELEASE
May 5, 2008

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Congressman Miller Coauthors Bill to Permanently Increase Loan Limits

Washington, DC – This afternoon, Reps. Gary Miller and Jerry McNerney introduced legislation to permanently increase the loan limits for Fannie Mae, Freddie Mac, and the Federal Housing Administration (FHA). Introduction of H.R. 5958, the Homeowner Opportunity Act, comes as the House prepares to debate a number of proposals later this week to stimulate the housing market.

Said Rep. Gary Miller, “We are currently in the midst of the most serious downturn in the housing market that I have seen in more than thirty years. The impact of allowing loan limits to return to their previous levels would be disastrous. People around the country are suffering, nowhere more so than in high-cost areas like California. By permanently increasing loan limits our bill would go a long way toward turning the housing market around.”

Established in 1934, the FHA provides mortgage insurance for prospective homebuyers. The Government Sponsored Enterprises (GSEs), Fannie Mae and Freddie Mac, also contribute to American homeownership by purchasing mortgage loans from lenders, providing lenders with the capital they need to make additional home loans. Both programs, however, are barred by law from insuring or purchasing loans above a certain size. Areas, like California, where the median home price exceeds the loan limit have long been underserved by the GSEs and FHA.

Under the Economic Stimulus Act of 2008, which was signed into law earlier this year, the loan limit for both programs was temporarily increased to a maximum of \$730,000, depending on an area’s median home price. That increase, however, is currently set to expire on December 31, 2008. Introduced today, the Homeowner Opportunity Act would make the loan limit increases contained in the Economic Stimulus Act permanent.

If loan limits are not raised by the end of the end of this year, the GSE conforming loan limit will revert back to \$417,000 and the FHA-insurable limit to \$362,000, far too low to be effective for California homebuyers.

Added Rep. Miller, “Just last week, 44 members of the California congressional delegation along with Governor Schwarzenegger came together in support of a permanent loan limit increase. There is broad bipartisan support for this solution which would immediately improve Californians’ access to safe, affordable mortgages.”