

PRESS RELEASE

Congressman Gary G. Miller
42nd District, California



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Rep. Miller Introduces Bill to Increase Loan Limits

Washington, DC – Congressman Gary Miller today introduced legislation to extend the loan limit increases, which were temporarily increased in the Economic Stimulus Act of 2008, for Fannie Mae, Freddie Mac, and the Federal Housing Administration (FHA).

“As the crisis in housing markets continues, the availability of affordable mortgage loans remains essential to alleviating the credit crunch and stabilizing the U.S. mortgage market,” said Congressman Miller. “People around the country are suffering, nowhere more so than in high-cost areas like California.”

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, the loan limit for both programs was temporarily increased to \$729,750, depending on an area’s median home price. With the help of this Act, FHA is now playing an increasingly important role in providing affordable single family mortgage loans. In fact, FHA has now insured over 14,000 mortgage loans in California and now comprises over twenty percent of the housing market.

The temporary increase, however, expired on December 31, 2008 and the loan limits in numerous California counties have subsequently decreased due to the Department of Housing and Urban Development’s resetting of county median home prices. Specifically, loan limits for 38 California counties have decreased by an average of \$85,000 and 55 counties by an average of \$104,000. By decreasing the GSE and FHA loan limits, the cost of buying a home in California and across the country will increase, ultimately exacerbating problems in the housing markets.

“We need to keep affordable mortgage financing available at a time when the housing markets are facing their greatest challenge in 70 years,” added Congressman Miller. “By permanently increasing loan limits, this bill would go a long way toward turning the housing market around.”

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