

# Extend the Government Loan Limits to Maintain Support for the Housing Finance System

## MBA RECOMMENDS

The Mortgage Bankers Association urges Congress to extend the current, temporary higher loan limits for Fannie Mae, Freddie Mac and the Federal Housing Administration (FHA). An extension of the higher loan limits until at least December 31, 2011, is essential to help borrowers continue to obtain affordable long-term, fixed-rate mortgage credit in today's struggling economy. The temporary higher limits have been a key component of keeping the mortgage market functioning, helping lower mortgage interest rates for consumers who want to purchase a home or refinance an existing mortgage who would be made ineligible by the lower limits.

If the temporary limits are allowed to expire at the end of 2010, obtaining financing will become more difficult and expensive for many borrowers. Congress should extend the limits as soon as possible so as not to jeopardize the economic recovery in major housing markets that need the availability of FHA and GSE-supported loans. The House of Representatives and the Senate Appropriations Committee have approved bills that extend the higher conforming loan limits through September 30, 2011. However, we believe an extension to *year-end* 2011 is important in order to synchronize with the statutory requirement that loan limits be set on an annual basis. Furthermore, enactment of the extension before October 1, 2010, is important to avoid certain market disruptions that will occur within 90 days of high-cost loan limits expiring.

Since the collapse of the fully private housing finance market three years ago, nearly all of the market's liquidity has been provided by Fannie Mae, Freddie Mac and FHA/ Ginnie Mae. This is why Congress recognized the need to approve the higher loan limits in the Economic Stimulus Act of 2008 and provided a series of temporary, annual extensions in subsequent legislation. Without the higher loan limits, financing would be unavailable or too costly for many borrowers, which in turn would inhibit home purchases or the ability to refinance into more affordable mortgages. In prior years, the lack of certainty about the extension of the higher loan limits has had an impact on borrowers' ability to obtain affordable financing.

For example:

- Some lenders stopped underwriting loans at the then-current interest rate for conforming high-value loans because lenders were uncertain about whether they would be able to sell the loans into the secondary market, and were unable or unwilling to retain them in their own portfolios.
- Consumers could not lock in current interest rates beyond 60 days for conforming jumbo loans. As a result, loans that do not close before the end of the year will need to be underwritten again, and possibly declined because of the higher interest rate and resulting mortgage payment.

An immediate extension of the loan limits is also necessary to provide sufficient time for FHA, the Federal Housing Finance Agency (FHFA), and the GSEs to conduct market assessments and provide the necessary implementation guidance.

The temporary loan limits authorized by Congress have benefited consumers and the housing market during what has been a turbulent period for our nation's economy. In light of the continuing weakness in the secondary market, we urge Congress to take action so that the GSEs and FHA can continue providing capital to support loans to moderate and middle income American families across the nation.