

Tauscher, California Congressional Delegation Urges Permanent Increase in Loan Limits

Washington, DC -

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FOR IMMEDIATE RELEASE

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"The current housing crisis will only get worse before it gets better if we don't make common sense policy decisions that help Main Street just as much as they do Wall Street," said Rep. Ellen Tauscher. "We can relieve the pressure that homeowners in high-cost regions like California are facing by ensuring that the increased loan limits are made permanent. This will provide California homeowners and prospective buyers with access to safe, affordable loans that keep them in their homes and bolster their financial security. I applaud my colleagues for joining me on this letter and understanding that a bipartisan approach is the only way to help Californians weather these tough economic times."

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. Permanently increasing loan

limits would go a long way toward turning the housing market around and I am delighted that nearly the entire California congressional delegation has unified behind this common sense solution."

Established in 1934, the FHA provides mortgage insurance for prospective homebuyers. The Government Sponsored Enterprises (GSEs) of 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.

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. If loan limits are not raised by 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.

Californians already face home prices substantially higher than the national average. In 2007, the median home in California cost \$558,100. In addition, California has one of the highest foreclosure rates in the nation, reinforcing the need for affordable refinancing opportunities. The letter sent this morning by 44 members of the California congressional delegation and supported by Governor Arnold Schwarzenegger sends a strong bipartisan message that California's elected leaders are committed to delivering improved access to safe, affordable mortgages.

Letter Attached.

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