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COMMITTEE ON FINANCIAL SERVICES

COMMITTEE ON TRANSPORTATION
AND INFRASTRUCTURE

BUILDING A BETTER AMERICA CAUCUS,
CHAIRMAN



UNITED STATES
HOUSE OF REPRESENTATIVES

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OPPOSE HENSARLING AMENDMENT
Support Affordable Housing in ALL Parts of the Country

Dear Colleague,

Government Sponsored Enterprises (GSEs) have been at the forefront of creating affordable housing opportunities for American families. While they are chartered to operate in every district across the country, their effectiveness in certain areas has been seriously hindered because high housing prices have caused fewer and fewer mortgages to fall within the conforming loan limit. Unfortunately, conforming loans are not available to middle income families trying to buy an entry-level home in high-cost housing markets. In high-cost areas such as California, due to conforming loan limits, homebuyers were forced into jumbo products, such as interest only or negative amortized loans. Our markets are now being directly impacted by this lack of availability of safe, conforming mortgage products in high-cost areas.

Under H.R. 1427, loan limits in high-cost areas would be increased to the maximum of an area's median home purchase price, capped at the 150 percent limit currently imposed on Alaska, Hawaii, Guam and the Virgin Islands. The legislative language clearly defines high-cost areas as regions where the median purchase price of a home exceeds the national conforming loan limit. The language is crafted to ensure that the high-cost area provision in the bill will not affect the size of the GSEs' portfolios; specifically, the provision is only applicable to the mortgages that are securitized and sold.

There is precedent for an exception for high-cost areas from the national loan limit. Under current law, the loan limits for Alaska, Hawaii, Guam, and the Virgin Islands are allowed to exceed the national conforming loan limit by 50 percent. The provision in H.R. 1427 seeks to allow other high-cost areas in the country the same consideration that Alaska, Hawaii, Guam, and the Virgin Islands receive. The reality is that Alaska, Hawaii, Guam, and the Virgin Islands are not the only areas impacted by high housing costs. If higher limits make sense for Alaska, Hawaii, Guam, and the Virgin Islands, then they certainly make sense for other areas in the country where median home prices exceed current loan limits. The language included in H.R. 1427 will help ensure all qualified Americans have the same opportunity to become homeowners.

While the assertion was made during committee debate on this amendment that people in high-cost areas of the country have higher incomes, the data does not support this statement. Home prices in California are more than \$330,000 higher than Texas (\$516,700 versus \$184,600).¹ However, median annual incomes in Los Angeles, California are more than \$4,000 lower than in Dallas, Texas (\$61,300 versus \$65,500).² Clearly, if the GSEs are allowed to meet the affordable housing needs of people who live in Dallas, Texas, they should also be permitted to support affordable housing for people who live in Los Angeles, California.

As a result of the current loan limits, many first-time home buyers in high-cost areas are either forced into jumbo loans or are driven from the housing market altogether. Jumbo loans have higher interest rates, higher down payments, and higher fees than a conforming loan. The interest rate difference between a conforming loan and a jumbo loan fluctuates between +.25 and +.40. Based on the current interest rate environment, the monthly payment difference between a conforming loan and a jumbo loan can be as much as \$135.00.

The housing GSEs are chartered to operate in every district across the country. Yet they cannot operate in many high-cost areas, due to the conforming loan limit. Congress should ensure that all Americans have equal access to the mortgage products offered by the GSEs. This would lessen the pressure on homebuyers in high-cost areas to take jumbo and subprime loans, and help reduce defaults and foreclosures immediately. I strongly urge you to oppose the Hensarling amendment.

Sincerely,

GARY G. MILLER
Member of Congress

¹ Median home price based on Federal Housing Finance Board data for conventional loans, 2005.

² Median income based on 2006 HUD Median Area Income.