



November 13, 2008

The Honorable Nancy Pelosi
Speaker of the House
United States House of Representatives
Washington, DC 20515

The Honorable Harry Reid
Majority Leader
United States Senate
Washington, DC 20510

The Honorable John Boehner
Republican Leader
United States House of Representatives
Washington, DC 20515

The Honorable Mitch McConnell
Republican Leader
United States Senate
Washington, DC 20510

Dear Speaker Pelosi, Leader Boehner, Leader Reid and Leader McConnell:

On behalf of the Mortgage Bankers Association, I applaud Congress' continuing bi-partisan efforts to stabilize the economy and resolve the ongoing financial crisis. Since passage of the Emergency Economic Stabilization Act of 2008 (EESA), we have seen some signs of revived confidence in our financial markets. Nevertheless, liquidity in the housing finance system remains at unhealthy levels, and prospects for immediate revival are dim. A full economic recovery hinges on a strong and healthy housing finance system, and so I encourage you to pass a strong stimulus package that addresses mortgage loan limits and offers additional help to the market.

Earlier this year, Congress passed two other laws designed in part to reinvigorate the housing market: the Economic Stimulus Act and the Housing and Economic Recovery Act (HERA). Both laws expand the mortgage financing options for many Americans by raising the maximum loan amount eligible to be purchased in high-cost areas by Fannie Mae, Freddie Mac and the Federal Housing Administration (FHA). The Economic Stimulus Act temporarily raised the so-called high-cost conforming loan limit to a maximum of 175 percent (\$729,750) of the standard loan limit of \$417,000. When this limit expires on December 31, 2008, the high-cost loan limit is reduced to HERA's maximum of 150 percent (\$625,500) of the standard loan limit.

Currently, the government sponsored enterprises (GSEs) and Ginnie Mae (through FHA) are the only significant sources of housing finance liquidity. MBA believes it is important for these entities to provide secondary market support to the broadest possible spectrum of home prices during this period of market instability. We also believe that GSE oversight has improved significantly, and thus the possibility that the GSEs would distort the market has lessened. However, the operational and market challenges that would result from a loan limit decrease would perpetuate or trigger additional market disruptions.

MBA encourages Congress to pass a significant stimulus proposal that will help revive the economy. Specifically, we ask that Congress eliminate the forthcoming decreased limit for high-cost areas while simultaneously providing a broader range of secondary market support. MBA recommends a permanent change to the standard base conforming loan limit for single-family one-unit properties from \$417,000 to \$625,500. MBA further recommends the limit for loans in high-cost areas should remain at 125 percent of the median home price for the high-cost area, up to \$729,750. Loan limits for other single-family properties up to four units should also be adjusted proportionately.

There is an extremely large inventory of vacant properties on the market today. As part of a stimulus package, we would urge you to consider tax incentives and other innovative ideas to encourage new homeownership or rental housing opportunities in order to stabilize neighborhoods by reducing the housing inventory. In addition, there are a number of ways that HERA and the EESA could be tweaked to make them even more effective in the market. We look forward to discussing more detailed proposals in these areas with you soon.

It is imperative that Congress does not slow down the process of passing a stimulus package by including provisions unrelated to the current economic instability. In addition, I would caution you to avoid prescriptions that would actually harm the mortgage finance system, such as legislation that would allow judges to unilaterally cram down mortgage debt in bankruptcy proceedings.

Again, MBA applauds your bi-partisan actions thus far to help address turmoil in the financial markets. Congress should once again act in a manner that will result in a smoother functioning mortgage market, but without doing any permanent harm to the mortgage finance system. We look forward to continuing to work with you on this and other initiatives that will help stabilize the housing markets and the economy at large.

Sincerely,

A handwritten signature in black ink that reads "John A. Courson". The signature is written in a cursive, flowing style.

John A. Courson
Chief Operating Officer