

Resolution No. 6

Date: 6/6/2015

City: Washington, DC

NAHB Resolution

Title: Fannie Mae/Freddie Mac/FHA/VA Maximum Mortgage Amount  
Sponsor: Housing Finance Committee  
Submitted by: Jess Hall

WHEREAS, maximum mortgage amounts for single family loans eligible for purchase by Fannie Mae and Freddie Mac or Federal Housing Administration (FHA) insurance are determined annually based on statutory formulas mandated in the *Housing and Economic Recovery Act of 2008* (HERA) and the Department of Veterans Affairs (VA) maximum guaranty amount is determined by the Freddie Mac loan limit;

WHEREAS, HERA provided for \$417,000 to be the initial base loan amount for conventional conforming mortgages on 1-unit properties eligible for purchase by Fannie Mae and Freddie Mac and that no area will have a conventional conforming loan limit below \$417,000 even if the area median home price is less than \$417,000;

WHEREAS, HERA established that the \$417,000 base loan amount would be the basis from which all loan limits applicable to Fannie Mae, Freddie Mac, FHA and VA would be determined;

WHEREAS, HERA declares high-cost areas for conventional, conforming loans eligible for purchase by Fannie Mae and Freddie Mac to be areas in which 115 percent of the median house price is above \$417,000 and establishes maximum mortgage amounts in high-cost areas as 115 percent of the area median house price not to exceed 150 percent of \$417,000 or \$625,500 for a 1-unit residence;

WHEREAS, HERA establishes maximum mortgage amounts for loans insured by FHA as the lesser of 115 percent of the median single-family house price in a geographic area or 150 percent of \$417,000 (\$625,500) and also sets an FHA loan limit "floor" at 65 percent of \$417,000 or \$271,050 to ensure that no geographic area will have a loan limit less than \$271,050 even if 115 percent of the area median house price is less than \$271,050;

WHEREAS, HERA requires the maximum loan amounts to be reviewed each year;

WHEREAS, HERA mandates the base loan amount be increased annually by any year-over-year percentage increase in the House Price Index (HPI) maintained by FHFA

and held constant in years when a decrease is indicated by the HPI percentage change calculation and only subsequently increased after declines have been fully offset by percentage increases in the HPI;

WHEREAS, this means the base loan amount may never decrease;

WHEREAS, during the Great Recession Congress provided discretionary authority for the Secretary of HUD and the Director of the Federal Housing Finance Agency (FHFA) to increase the maximum loan amount in any geographic “sub-area” and such authority expired without either agency exercising the authority to increase the maximum loan amount in sub-areas;

WHEREAS, HUD allows interested parties 30 days from the time FHA announces annual loan limits to appeal for an increase in maximum loan amounts for a particular county if the request is accompanied by sufficient, detailed housing data and the request for an increase pertains to a county in which HUD does not already have adequate home sales transaction data for the calculation of loan limits; and

WHEREAS, FHFA in 2014 considered, but did not implement, a proposal to gradually reduce the conventional, conforming loan limits for Fannie Mae and Freddie Mac as an approach to contract the presence of these Enterprises in the mortgage marketplace and encourage increased private sector participation and reduce taxpayer exposure,

NOW, THEREFORE, BE IT RESOLVED that the National Association of Home Builders (NAHB) support the statutory formulas mandated in the *Housing and Economic Recovery Act of 2008* (HERA) for calculating the annual maximum mortgage amounts for single family loans eligible for purchase by Fannie Mae and Freddie Mac and Federal Housing Administration (FHA) insurance, and linking the Department of Veterans Affairs (VA) maximum guaranty amount to the Freddie Mac loan limit;

BE IT FURTHER RESOLVED that NAHB oppose any legislative or regulatory efforts to reduce the base loan amount and high-cost area maximum loan limits for Fannie Mae, Freddie Mac, FHA, and VA;

BE IT FURTHER RESOLVED that NAHB believe only Congress can make changes to the loan limit formula and any such changes should consider the impact on all components of the housing finance system and/or be done through comprehensive housing finance system reform;

BE IT FURTHER RESOLVED that NAHB urge Congress to reinstate discretionary authority to the Director of the Federal Housing Finance Agency (FHFA) and the Secretary of the U.S. Department of Housing and Urban Development (HUD) to

Resolution No. 6

Fannie Mae/Freddie  
Mac/FHA/VA Maximum  
Mortgage Amount  
6/6/2015

apply higher loan limits to “sub areas” (i.e. areas smaller than a county) as deemed necessary by housing and/or economic conditions; and

BE IT FURTHER RESOLVED that NAHB urge FHA to revise its process for considering requests for adjustments to area loan limits to make the opportunity available for all areas of the country and to provide a reasonable time period for submission of appeals.

Board of Directors Action:	Approved
Executive Board Action:	Recommends Approval
Resolutions Committee Action:	Recommends Approval
Federal Government Affairs Committee Action:	Recommends Approval
Housing Finance Committee Action:	Recommends Approval
Financial Institutions & Capital Markets Subcommittee of the Housing Finance Committee Action:	Recommends Approval
Single Family Finance Subcommittee of the Housing Finance Committee Action:	Recommends Approval
Multifamily Finance Subcommittee of the Housing Finance Committee Action:	Recommends Approval

*This resolution updates and replaces policy 1987.9 No. 15 FNMA/FHLMC Maximum Mortgage Amount that will sunset.*