



Popular Economics

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The Mortgage Corner

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Nar Wants Conforming Limits Raised

The National Association of Realtors has urged President George W. Bush and Congress to help homeowners and the national economy by loosening constraints on Fannie Mae and Freddie Mac as an integral part of a federal stimulus package currently being discussed.

We believe that any stimulus package must address housing issues and increasing the conforming loan limits for these two government-sponsored enterprises," said NAR President Dick Gaylord. "The increase in loan limits would not only improve liquidity in the mortgage marketplace, but also boost homebuyers' confidence levels, resulting in increased sales and economic activity."

NAR has been calling on Congress and the administration to increase the loan limits for Fannie Mae and Freddie Mac from the current ceiling of \$417,000 to \$625,000. "This change will permit more families to enter the housing market by making more mortgages available with lower interest rates. Increased home sales will lower inventories and immediately start stabilizing the housing market and the economy," Gaylord said.

In addition, NAR has been actively advocating for quick passage of the Federal Housing Administration Reform bill. A reformed, modernized FHA program would offer a safe and affordable alternative to subprime mortgages, which are widely blamed for the current high rate of foreclosures and credit crunch.

The NAR estimated that lifting the GSE loan limit to \$625,000 would lower interest payments for consumers who get new "GSE jumbo" loans, reduce the supply of homes on the market by one to one-and-one-half months, strengthen home prices by two to three percentage points, and increase economic activity by \$42 billion. An additional NAR report shows that increasing conforming loan limits could help reduce foreclosures by 140,000 to 210,000 and result in an additional 348,000 home sales.

"This is the quickest way to help the hurting housing market," said Gaylord. "As the potential for an economic recession increases and the fragile housing market continues to teeter, raising loan limits and reforming FHA would immediately impact the marketplace without the need for any new, complex federal programs or tax dollars. We strongly urge Congress to take these actions, in any stimulus plan, to stabilize the housing market and protect homeowners."

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