January 21, 2008

Dear California Congressman:

The California Association of REALTORS® (C.A.R), the California Building Industry Association (CBIA), the California Association of Mortgage Brokers (CAMB), and the California Mortgage Bankers Association (CMBA) urge your support for inclusion of language in any economic stimulus package that will increase the conforming loan limit from $417,000 to $625,500. Congress currently has a unique opportunity to give an immediate boost to the economy, bring greater liquidity to a distressed housing market, create new homeownership opportunities, and save hundreds of thousands of homeowners from foreclosure without any additional costs to taxpayers.

With steep declines in housing sales, production and prices, California's slumping real estate sector has staggered the state's economy. Just last week, it was announced that the state's unemployment rate shot up a full half of one percent – a rise that most economists attribute to sagging housing markets. California's real estate agents, homebuilders, mortgage brokers, and lenders believe increasing the conforming loan limit will supply an immediate infusion of capital into both the housing market and the economy as a whole. The National Association of REALTORS® estimates that by increasing the conforming loan limit Congress can generate nearly $42 billion in economic activity through increased home prices alone.

California's housing market is expected to continue to decline through 2008. A primary reason for this continued decline is California's ongoing housing affordability crisis that has been exacerbated by the shortage of liquidity in the secondary market for jumbo loans. This liquidity crisis in the secondary market has increased the spread between a 30-year conforming loan and a 30-year jumbo loan to more than one percent in some areas with tighter underwriting requirements. To the average homebuyer, this equals $274 to $411 more in monthly mortgage payments.

The shortage of capital for jumbo loans also means that California homeowners who were dragged down by the current market conditions are faced with no safe and affordable refinancing options due to California's high-housing costs. A majority of California homeowners and homebuyers lack access to not only Fannie Mae or Freddie Mac (GSE) financing, but FHA loans or the VA loan program, both of which have loan limits tied to the conforming loan limit.

Congress can no longer wait to take action as every month California's economy faces the threat of a recession while more than 30,000 of California's homeowners will receive a notice of default. California's economy, homeowners and housing market need relief now and the state's economy, like the nation's, needs a boost. We strongly urge that Congress act immediately and pass an economic stimulus package that contains an increase in the conforming loan limit to $625,500.

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