CALIFORNIA ASSOCIATION OF REALTORS®

March 8, 2007

House Financial Services Subcommittee on Capital Markets, Insurance,
and Government Sponsored Enterprises
2129 Rayburn H.O.B.
Washington, D.C. 20515

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RE: Legislative Proposals on GSE Reform

Chairman Kanjorski and Ranking Member Pryce:

As President of the California Association of REALTORS® (C.A.R.) and on behalf of the more than 200,000 members, I would like to express the Association's support of Congress' efforts to pass legislation that would reform the regulatory oversight of the Government Sponsored Enterprises (GSE) Fannie Mae, Freddie Mac, and the Federal Home Loan Banks. This reform should include the creation of a new regulator with the authority to set a higher conforming loan limit in areas were the median home price is above the national conforming loan limit. This reform is long overdue and will help hard working low- and middle-class families afford to buy homes in the communities they serve.

Comprehensive GSE Reform should create a strong independent regulator with the authority to protect the GSE's ability to continue meeting their mission of providing capital to the nation's housing markets. For the GSE to best continue serving communities across this nation, they need:

- The flexibility to grow and retract their portfolios in response to current market conditions while maintaining the safety and soundness of the GSE,
- To have clear and unrestricting regulations allowing them to develop and bring new products to the market quickly, and
- To work without a "Brightline" prohibiting the regulator from determining which products and activities the GSE need in order to meet their goals.

Finally, any GSE reform passed by Congress must provide the new regulator with the authority to designate certain regions as high-cost, and allow the regulator to set conforming loan limits based on the area's median home prices. Consideration should also be given to designating certain states as high-cost based on the states' median home prices. The median home price in California at the end of 2006 was more than $560,000—over 34 percent higher than the national conforming loan limit of $417,000. These numbers illustrate why the GSE should be allowed to let the local economic climate of each high-cost area and state to dictate the necessity of an increase in its conforming loan limit. This would give equal access to the GSE's capital in the secondary market for all homebuyers—including low- and moderate-income and first-time homebuyers—regardless of where they live.

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States with high-cost areas, such as California, New York, New Jersey, Connecticut, Virginia, Maryland, West Virginia, Pennsylvania and the District of Columbia, will be able to address the issues of affordable housing and predatory lending by increasing access to not just conforming loans, but FHA and VA loans whose limits are directly tied to the GSE conforming loan limit. California's homeownership rate has been 10 percent lower than the rest of the country for more than 20 years, and California residents continue to face an affordable-housing crisis. Giving households in California and other high-cost states access to lower interest rates would create thousands of new and first-time home owners across the country.

The GSE have been responsible for helping many lower- and middle-class American families achieve the dream of homeownership. Since the GSE's inception almost 40 years ago, housing markets throughout America have changed; it's time to give the GSE the capabilities to change with those markets.

Thank you for your consideration of our views. If we may provide you with any additional information, please do not hesitate to contact Matt Roberts, Federal Governmental Affairs Manager, at 213-739-8284 or fax 213-739-7255, or via email at matthewr@car.org.

Sincerely,

Colleen Badagliacco
President, California Association of REALTORS®

cc: California Congressional Delegation