



## Twelve Scholars and Conservative Organizations Oppose Reinstating Elevated Conforming Loan Limits

November 9, 2011

Dear Senators and Representatives,

As distinguished scholars and representatives of the undersigned organizations, we want to draw your attention to an important policy change contained in the “minibus” appropriations bill that is going to conference this week. The Senate version of the bill would reinstate elevated conforming loan limit levels for Fannie Mae, Freddie Mac, and the FHA. The previous limit – up to \$729,750 in certain “high cost” areas – fell as scheduled to \$625,000 on October 1. Unless conferees strip the provision out of the larger measure this week, this sudden reversal in policy will soon come to a vote on both the House and Senate floor.

Officials on both sides of the aisle agree that the GSEs cannot continue in their current form. Currently they enjoy funding advantages and explicit government backing that crowd out private capital from the housing markets. However, if the conforming loan limit is gradually reduced, the government’s dominance will cover ever-smaller segments of the market and the healthy, privately-funded “jumbo” market for loans above the limit can expand to fill the void. Data shows that private capital has already rushed in to the segment no longer covered by the GSEs. Reinstating the elevated limits merely sets back this progress and gives ground on an approach to winding down government housing support that even the White House has agreed is best.

Moreover, with close to \$15 trillion in federal debt and an already abysmal \$169 billion price tag on the Fannie and Freddie bailout, it is unconscionable that the federal government would even consider extending pricey subsidies for \$700,000 mortgages.

Proponents know they could not pass this measure through Congress with an open and honest process, so it is especially troubling that they have buried such a significant policy change in a long and complicated funding measure. The complete lack of transparency and public debate in this case is unacceptable.

The nation’s housing markets will not recover until the government ends its overwhelming and inefficient mortgage subsidies. It is time to wind down the GSEs, and gradually lowering the conforming loan limits is a vital part of this process. We urge you to oppose reinstating the elevated limits in the looming minibus appropriations bill.

Sincerely,

Phil Kerpen  
Vice President for Policy  
Americans for Prosperity

Grover Norquist  
President  
Americans for Tax Reform

Edward Pinto  
Resident Fellow  
American Enterprise Institute \*

Peter J. Wallison  
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