

**Congress of the United States**  
Washington, DC 20515

October 30, 2013

The Honorable Edward DeMarco  
Acting Director  
Federal Housing Finance Agency  
400 7th Street, SW  
Washington, DC 20024

Dear Acting Director DeMarco:

We are writing to oppose two proposals currently being explored by the Federal Housing Finance Agency (FHFA) that could destabilize the greater San Francisco Bay Area's recovering housing market: 1) a proposed decrease in the conventional conforming loan limit and 2) a proposal that "qualified residential mortgages" (QRMs) require higher minimum down payments – as high as 30 percent – through an alternative plan known as "QRM-Plus."

On Monday, September 9, in a statement to *The Wall Street Journal*, the FHFA revealed the agency's intent to possibly lower Fannie Mae and Freddie Mac loan limits across the country. This proposal would cause a significant reduction of available credit for potential homebuyers, especially for those in a housing market as unique as ours in the greater Bay Area. The Bay Area is known to have some of the highest housing costs in the country, and consequently has one of the highest maximum conforming loan limits. The limit in much of this area is set at \$625,500. While higher than the limit set in most of the country, in a market with as much demand as the Bay Area's, this limit is already restrictive. The median price for a home in the Bay Area is already higher than this limit, and in many areas, significantly so. In San Ramon, California, for example, the median price is \$770,000 – well above the current conforming loan limit. A lower loan limit would likely hurt demand, put homeownership out of reach for too many, and bring a halt to the greater Bay Area's housing market recovery.

The FHFA, along with five other federal regulatory agencies, also is considering altering the metrics used to designate a mortgage as a QRM through a set of proposed regulations known as QRM-Plus. Among the proposals being considered is a mandatory 30 percent down payment for borrowers who seek the best rate and terms through a QRM. With a median home price over \$500,000, this means that the required down payment under the proposed QRM regulations in much of the greater Bay Area would be in excess of \$150,000. This would whittle the pool of those who can acquire QRMs down to a lucky few.

If minimum down payment requirements were increased to a figure as high as 30 percent, the vast majority of homebuyers in the greater Bay Area would then have to pay higher rates and fees for non-QRMs, or simply be turned down. This change would be especially detrimental to communities of color and other underserved communities, many of whom we represent in an area as diverse as the Bay Area. According to the 2009 American Housing Survey, three-quarters of African-Americans put down 10 percent or less on mortgages, while forty-four percent of Hispanic buyers put down less than five percent. Setting the minimum down payment

required for a QRM at 30 percent would make qualifying for a mortgage impossible for far too many of our Bay Area constituents.

At a time when the housing market is finally showing signs of strength, now is not the time to pull the rug out from under it. These two changes would, taken independently, hurt credit accessibility and the ability for many Bay Area residents to become homeowners. Implemented simultaneously, the impact would be devastating on our housing market – putting homeownership completely out of reach for many low and middle income families in the Bay Area and would be especially detrimental to communities of color and other underserved communities looking to achieve the dream of homeownership.

We urge you to maintain the current levels of conforming loan limits and to reject QRM requirements that would set the minimum down payment at 30 percent.

Sincerely,



Eric Swalwell  
Member of Congress



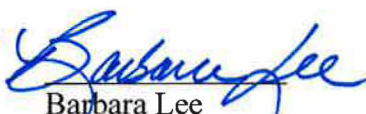
Zoe Lofgren  
Member of Congress



Anna G. Eshoo  
Member of Congress



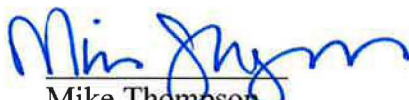
Jackie Speier  
Member of Congress



Barbara Lee  
Member of Congress



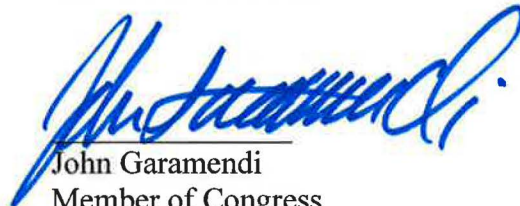
Michael M. Honda  
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John Garamendi  
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