

The U.S. housing industry has scored a victory with House and Senate votes to raise the size of mortgages backed by the Federal Housing Administration to \$729,750.

The measure split Republicans, many of whom supported retaining the lower limit of \$625,500. As a result, efforts to restore the higher limit fell short until the Senate attached an increase to a package of spending bills that were passed yesterday by both the House and Senate.

The higher FHA limit is expected to become law after the president signs the spending measures, which he must do by the end of today to avoid a government shutdown.

“Restoring the higher loan limits for the FHA will provide homeowners and homebuyers with safe and affordable financing, while providing a much-needed boost to housing markets all around the country,” James W. Tobin, chief lobbyist for the National Association of Home Builders, wrote in a Nov. 16 letter to Speaker John Boehner, an Ohio Republican.

Lawmakers who backed higher limits said withdrawing federal support could further undermine a housing market still struggling to recover from the 2008 credit crisis.

The final compromise, which dropped a similar increase to loans backed by mortgage firms Fannie Mae and Freddie Mac, represents a mixed victory for the housing industry.

While the increase to \$729,750 is expected to spur some additional homebuying, it's not clear by how much. FHA loans make up a smaller share of the market than those purchased by Fannie Mae and Freddie Mac.

### 5.3 Million Homes

Still, the measure was fully embraced by trade groups for homebuilders and realtors. The

National Association of Homebuilders has estimated that 5.3 million homes lost their eligibility for conforming loans when the higher limits expired on Oct. 1. Nearly 670 counties saw their loan limits decline, according to the National Association of Realtors.

On the other side were a number of interest groups that push for free-market policies and against government support to the housing market. Those groups, which include the Club for Growth and Heritage Action for America, play a large role in the House Republican conference and can influence campaign funding for the next election.

Republicans backed by the groups thought efforts to increase the loan limits had been defeated earlier this year, particularly when the White House announced support for allowing them to go back down to pre-crisis levels.

‘Completely Bizarre’

“This is completely bizarre that the Congress would be to the left of this president on housing finance,” Representative Patrick McHenry, a North Carolina Republican on the House Financial Services Committee, said in an interview.

House Republicans who opposed the provision seized on the FHA’s annual actuarial report released earlier this week, which said the agency has a 50 percent chance of needing to seek taxpayer aid to bolster its insurance fund.

The FHA, which provides liquidity by protecting lenders against borrower defaults, has increased its share of the mortgage market in the wake of the credit crisis. The agency, created in 1934 during the Great Depression, now guarantees a third of U.S. mortgages, according to the report.

The House-passed legislation, approved in a 298-121 vote, was opposed by 101 members of the House’s Republican majority, some of whom said they opposed the measure primarily because of the loan-limit increase.

**Representative John Campbell**, a California Republican who pushed for the increase, called the compromise on the provision “ **just a bad deal.**” **Campbell** said he would have preferred that lawmakers boost the limit for Fannie Mae and Freddie Mac over raising the FHA limit.

‘Short-Term Fix’

**“I’m glad something got done, but because they got it backwards, this will be a much more short-term fix than I would have hoped,” Campbell** said in an interview.

The Senate followed the House’s lead a few hours later, voting 70-30 to clear the measure for Obama’s signature. The provision was once again cited by several Republicans as a reason for their opposition.

“Raising the loan limits at FHA only, an unprecedented move, will simply drive more business into Ginnie Mae securities and put the FHA at even greater risk of losses to taxpayers,” Senator Bob Corker, a Tennessee Republican, said yesterday. “If we cannot even take this simple step, we risk crowding out the private sector for years to come.”

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