

Assembly Joint Resolution No. 45

RESOLUTION CHAPTER 81

Assembly Joint Resolution No. 45—Relative to mortgage loans.

[Filed with Secretary of State July 8, 2008.]

LEGISLATIVE COUNSEL'S DIGEST

AJR 45, Coto. Mortgage loans: federal conforming and FHA mortgage loan limits.

This measure would respectfully memorialize the President and the Congress of the United States to permanently increase the federal conforming mortgage loan limit and the FHA loan limit to the levels to which these limits were increased in the federal Economic Stimulus Act of 2008, as specified.

WHEREAS, According to the California Department of Housing and Community Development, the state should be producing more than 220,000 new housing units to keep pace with the state's population growth and new household formation to meet its annual need; and

WHEREAS, California has for years failed to produce enough housing units to meet that annual need, leading to a profound imbalance of supply and demand; and

WHEREAS, The imbalance has served to drive up housing costs and reduce affordability throughout the state; and

WHEREAS, California has the nation's highest housing costs, with a state median-home price of nearly five hundred thousand dollars (\$500,000); and

WHEREAS, California is home to 21 of the 25 least affordable housing markets in the United States with a homeownership rate, at 58 percent, that is 12 percentage points below the national average and is the second-worst rate of all the states; and

WHEREAS, The traditional federal conforming mortgage loan limit, set at four hundred seventeen thousand dollars (\$417,000), is well below the median-priced home in California; and

WHEREAS, The federal conforming mortgage loan limit is the maximum amount of debt that may be guaranteed or purchased by Fannie Mae and Freddie Mac, two federal government-sponsored enterprises in the housing finance market; and

WHEREAS, Loans made at or below the conforming mortgage loan limit enjoy interest rates much lower than loans made above the limit; and

WHEREAS, This interest rate differential means that California homebuyers can, over the life of a mortgage loan, pay up to one hundred

fifty thousand dollars (\$150,000) more in finance charges than homebuyers in other states; and

WHEREAS, Because of the state's high home prices, nearly 50 percent of California homeowners and homebuyers in 2007 paid higher interest rates on nonconforming (jumbo) loans; and

WHEREAS, The loan limits for the Federal Housing Administration (FHA), a critical component of the federal government's home purchase lending policy, are tied to the conforming loan limit; and

WHEREAS, Many California borrowers are ineligible for FHA mortgages, including foreclosure rescue products such as FHA-secured loans, because of the loan caps on those loans; and

WHEREAS, Economists attribute the state's, and the nation's, worsening economic condition to the current slump in the housing market; and

WHEREAS, The housing slump in California is marked by low production and increased unemployment; and

WHEREAS, It is estimated that the housing slump cost the state of California nearly two billion dollars (\$2,000,000,000) in tax revenue in 2007; and

WHEREAS, The National Association of Realtors estimates that an increase in the conforming mortgage loan limit will produce nearly 400,000 new home sales in the nation and generate over forty billion dollars (\$40,000,000,000) in economic activity; and

WHEREAS, While Congress and the President of the United States recently acted to increase the federal conforming mortgage loan limit and the FHA loan limit, the increase expires on December 31, 2008; and

WHEREAS, The Legislature recognizes that the Congress of the United States is now considering critical reforms to the Federal Housing Administration and government-sponsored enterprises, including Fannie Mae and Freddie Mac, that are designed to ensure the ongoing financial health of those institutions and provide adequate protections to United States taxpayers; now, therefore, be it

Resolved by the Assembly and the Senate of the State of California, jointly, That the Legislature respectfully memorializes the Congress of the United States to enact, and the President of the United States to sign, a permanent increase in the conforming mortgage loan limit and the FHA loan limit, to the levels to which these limits were increased in the Economic Stimulus Act of 2008 (HR 5140), to increase homeownership in California and help stimulate the California economy; and be it further

Resolved, That the Chief Clerk of the Assembly transmit copies of this resolution to the President and Vice President of the United States, to the Speaker of the House of Representatives, to the Majority Leader of the Senate, and to each Senator and Representative from California in the Congress of the United States.