

**Introduced by Senator Correa**  
(Coauthor: Assembly Member Dababneh)

March 10, 2014

---

Senate Joint Resolution No. 19—Relative to high-cost loan limits.

LEGISLATIVE COUNSEL’S DIGEST

SJR 19, as introduced, Correa. High-cost loan limits.

This measure would express the Legislature’s opposition to reduction of the current national and high-cost conforming loan limits for Fannie Mae and Freddie Mac by the Federal Housing Finance Agency (FHFA) and would urge the FHFA not to implement any reductions. This measure also would urge the President and Congress of the United States to join California in opposing any reduction of the national and high-cost conforming loan limits.

Fiscal committee: no.

- 1       WHEREAS, Since 1980, Congress has provided in statute for  
2 “high-cost” conforming loan limits so residents in states where  
3 the cost of housing is higher than the national average may still  
4 gain access to safe and affordable mortgages; and  
5       WHEREAS, In 2006, the California Legislature passed a joint  
6 resolution that memorializes the President and Congress of the  
7 United States to recognize California is a high-cost area for  
8 purposes of purchasing a home and should be considered the same  
9 status as other high-cost areas; and  
10       WHEREAS, In 2008, the California Legislature passed a joint  
11 resolution to memorialize its opposition to any reduction in  
12 high-cost loan limits in California; and

1 WHEREAS, In 2008, the Economic Stimulus Act of 2008  
2 created a temporary increase in mortgage loan limits and allowed  
3 for areas in California to be recognized as high cost, and

4 WHEREAS, In July 2008, Congress passed The Housing and  
5 Economic Recovery Act of 2008, which established the current  
6 law and formula for determining loan limits, set the high-cost loan  
7 limit formula, made permanent in statute language that allows for  
8 areas in California to be recognized as high cost, and contained  
9 language prohibiting the reduction of conforming loan limits; and

10 WHEREAS, In September 2008, Fannie Mae and Freddie Mac  
11 were placed under conservatorship of the Federal Housing Finance  
12 Agency (FHFA); and

13 WHEREAS, In January 2012, following the expiration of the  
14 Economic Stimulus Act of 2008, Fannie Mae and Freddie Mac  
15 high-cost loan limits were reduced from \$729,750 back to the 2006  
16 value of \$625,500; and

17 WHEREAS, In December 2013, the FHFA issued a request for  
18 comments on a proposal to lower the conforming loan limits for  
19 Fannie Mae and Freddie Mac by an additional \$25,000 in select  
20 high-cost areas including California; and

21 WHEREAS, California has over 25 million residents that will  
22 be adversely affected by the proposed regular and high-cost loan  
23 limit reductions; and

24 WHEREAS, Nine counties in California have a median home  
25 price above the proposed reduced cap on high-cost loan limits;  
26 and

27 WHEREAS, FHFA data indicates that over 36,000 loans  
28 originated in California could be adversely affected by the proposed  
29 loan limit reduction; and

30 WHEREAS, California housing markets are only beginning to  
31 recover from a sustained negative market, and continue to lag  
32 behind the pace of recovery being experienced by the rest of the  
33 nation; and

34 WHEREAS, Current high-cost loan limits allow California  
35 homebuyers the same access to safe and affordable mortgage  
36 capital as homebuyers in states with lower home prices; and

37 WHEREAS, The adverse effect of lowering the loan limits will  
38 have a negative impact on California homebuyers that will ripple  
39 through the housing market and the larger economy; now,  
40 therefore, be it

1 *Resolved by the Senate and the Assembly of the State of*  
2 *California, jointly,* That the Legislature opposes any reduction of  
3 the current national and high-cost conforming loan limits for Fannie  
4 Mae and Freddie Mac by the FHFA, and urges the FHFA not to  
5 implement any reductions; and be it further

6 *Resolved,* That the Legislature urges the President and Congress  
7 of the United States to join California in opposing any reduction  
8 of the national and high-cost conforming loan limits; and be it  
9 further

10 *Resolved,* That the Secretary of the Senate transmit copies of  
11 this resolution to the President and Vice President of the United  
12 States, to the Speaker of the House of Representatives, to the  
13 Majority Leader of the Senate, to each Senator and Representative  
14 from California in the Congress of the United States, to the  
15 Secretary of the Treasury, and to the Director of the Federal  
16 Housing Finance Agency.