



March 18, 2014

Federal Housing Finance Agency  
Office of Policy Analysis and Research (OPAR)  
Constitution Center  
400 7<sup>th</sup> Street, SW, Ninth Floor  
Washington, DC 20024

**Re: Fannie Mae and Freddie Mac Loan Purchase Limits: Request for Public Input on Implementation Issues - No. 2013-N-18**

Dear Sir or Madam:

The Community Bankers Association of Illinois (CBAI), which proudly represents approximately 380 Illinois community banks, appreciates the opportunity to provide our observations and recommendations regarding proposed Fannie Mae and Freddie Mac loan purchase limits (Request for Input). We appreciate the Federal Housing Finance Agency's (FHFA or Agency) willingness to seek input that will inform its decision-making process to ensure any changes minimize market disruptions, and that public input will be carefully reviewed before FHFA decides whether and how to proceed with the planned approach to changes in Fannie Mae's and Freddie Mac's loan purchase limits.

At the outset, CBAI is compelled to draw the Agency's attention to the unique nature of the Chicago-Naperville-Elgin, IL-IN-WI Metropolitan Statistical Area (MSA) and how the one-size-fits-all "high-cost county rule" (HCCR) has resulted in Chicago having a \$417,000 conforming loan limit, which is an inequity that has negatively impacted the Chicago-area housing market.

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Conforming loan limits are calculated based on MSA median home value. MSAs are composed of different counties. If one of the counties has a high enough median home value the entire MSA qualifies for the higher loan limit. Many MSAs contain only one or two small homogeneous wealthy counties that increase the loan limit for the entire MSA. The Chicago area has large heterogeneous counties (Chicago's Cook County for example is the 2<sup>nd</sup> most populous county in the nation) and therefore does not qualify for a higher loan limit despite having a large number of high-cost owner-occupied units.

Graph #1 (attached) illustrates how the number of owner-occupied high-cost units in Chicago far exceeds those of Buffalo, NY; Cleveland, OH; Detroit, MI; Milwaukee, WI; and Raleigh, NC, yet all of these areas including Chicago have \$417,000 conforming loan limits.

Graph #2 (attached) illustrates how the number of owner-occupied high-cost units in Chicago, while less than New York City, NY or Los Angeles, CA is similar to San Francisco, CA and Washington, D.C., yet all of these areas except Chicago have \$625,000 conforming loan limits.

According to FHFA data, 60 metropolitan areas, located in 20 states, the District of Columbia, and three municipalities have counties that qualify for a loan limit above the \$417,000 base limit, but not one of these counties is in Illinois.

Chicago's importance to the nation's housing system and the continued recovery from the housing crisis is unquestionable. In Table #1 and #2 in the Request for Input, Illinois ranks #3 in Enterprise Acquisitions by State in 2012, behind only California and Texas; and the Chicago-Naperville-Elgin, IL-IN-WI MSA ranks #3 in Enterprise Acquisitions by MSAs behind only Los Angeles-Long Beach-Anaheim, CA and New York-Newark-Jersey City, NY-NJ-PA.

This inequity negatively impacts home sales in the Chicago MSA. Chicago homebuyers seeking to purchase homes valued above \$417,000 must obtain jumbo mortgages, which are more difficult to obtain and carry higher interest rates and fees.

**Given the similarity of the Chicago housing market to many other high-cost metropolitan housing markets, we respectfully request the FHFA immediately use its discretionary authority to implement higher conforming loan limits for the Chicago MSA.** Planned future

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efforts to decrease loan limits, to reduce to the government footprint in the mortgage market, when combined with the inequity of the current one-size-fits-all HCCR will result in the worst possible outcome for the Chicago area - future lower limits on a lower base - and will continue to negatively impact the growth and prosperity of the entire region.

CBAI thanks you for this opportunity to provide our observations and recommendations on Fannie Mae and Freddie Mac loan purchase limits. If you have any questions or need additional information please do not hesitate to contact me at (847) 909-8341 or [davids@cbai.com](mailto:davids@cbai.com).

Sincerely,

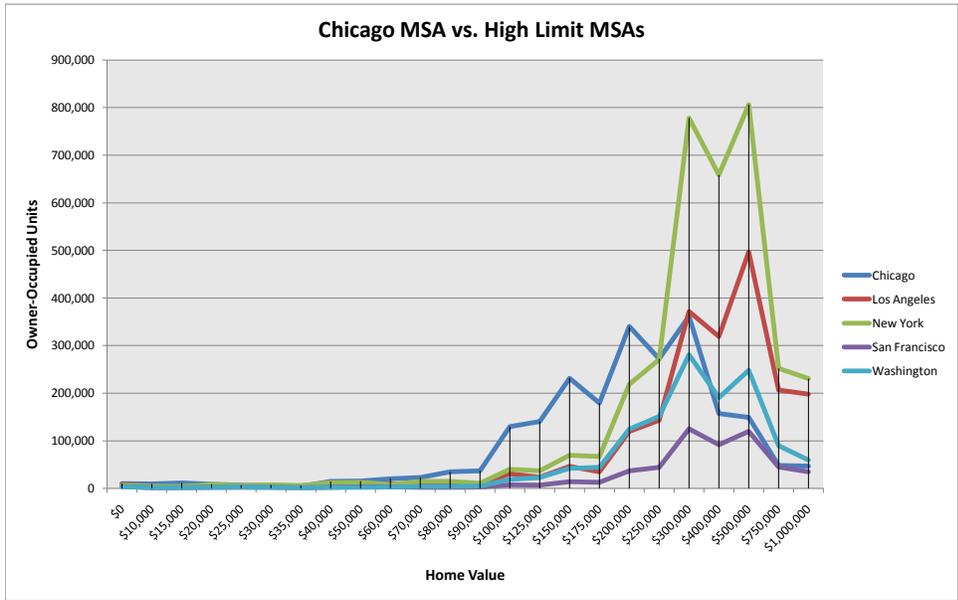
/s/

David G. Schroeder  
Vice President Federal Governmental Relations

See attached graphs

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Graph #1



Graph #2

