



FOR IMMEDIATE RELEASE: November 29, 2022

Housing Policy Council Statement on the 2023 Conforming Loan Limits

Washington, D.C. – The Housing Policy Council (HPC) issued the following statement today in response to the Federal Housing Finance Agency’s announcement of increased conforming loan limits:

“FHFA announced today that in 2023, Fannie Mae and Freddie Mac will be able to purchase mortgages up to \$1,089,300 in certain high-cost areas in the United States and \$726,200 in the rest of the country.

Crossing the million-dollar threshold should cause Congress, the Biden Administration, and all other stakeholders to actively consider how our housing finance system operates today. Today’s announcement raises three key concerns for the Housing Policy Council:

1. **Excessively high loan limits exacerbate the affordability crisis.** House prices have grown much faster than household income, in large part due to supply constraints and low-cost financing. Taxpayer backing of ever-increasing loan sizes provides a subsidy that results in slightly lower mortgage rates which, in turn, encourages people to buy more expensive homes. Ultimately, such backing feeds the runup in house prices, exacerbating the affordability challenges we face in today’s supply-constrained marketplace.
2. **The current system is overly reliant on government-backing.** Per data from the Urban Institute, when Fannie Mae and Freddie Mac went into conservatorship more than fourteen years ago, 45 percent of the outstanding mortgage market was funded through Ginnie Mae, Fannie Mae, and Freddie Mac. Today, the government backs 67 percent of outstanding mortgages through securitization by these three entities. This is an enormous increase in the reliance upon government- and taxpayer-backing.
3. **Private capital should have a more meaningful role in our housing finance system.** The dominance of government backing means the market has shifted away from relying on private companies to assess and manage mortgage credit risk; the housing finance system is more resilient when private capital shares the risk of loss. With appropriate reforms and transition, there is no reason to believe that private capital cannot serve a greater role than it does today.

The question of the appropriate role of the government in the housing finance system has gone unanswered now for fourteen years. The Housing Policy Council urges Congress and the Biden Administration to take up this question soon.”

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About HPC: *The Housing Policy Council is a trade association comprised of the leading national mortgage lenders and servicers, mortgage, property, and title insurers, and technology and data companies. Our interest is in the safety and soundness of the housing finance system, the equitable and consistent regulatory treatment of all market participants, and the promotion of lending practices that create sustainable homeownership opportunities in support of vibrant communities and long-term wealth-building for families.*

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