

**Congress of the United States**  
**Washington, DC 20515**

January 13, 2014

The Honorable Mel Watt  
Director  
Federal Housing Finance Agency  
1700 G Street NW  
Washington, DC 20552

Dear Director Watt:

As your former colleagues in the United States House of Representatives, let us formally congratulate you on your appointment to be the Director of the Federal Housing Finance Agency (FHFA). Your leadership of Fannie Mae, Freddie Mac, and the Federal Home Loan Banks will be critical in the efforts to overcome the lingering effects of the housing crisis.

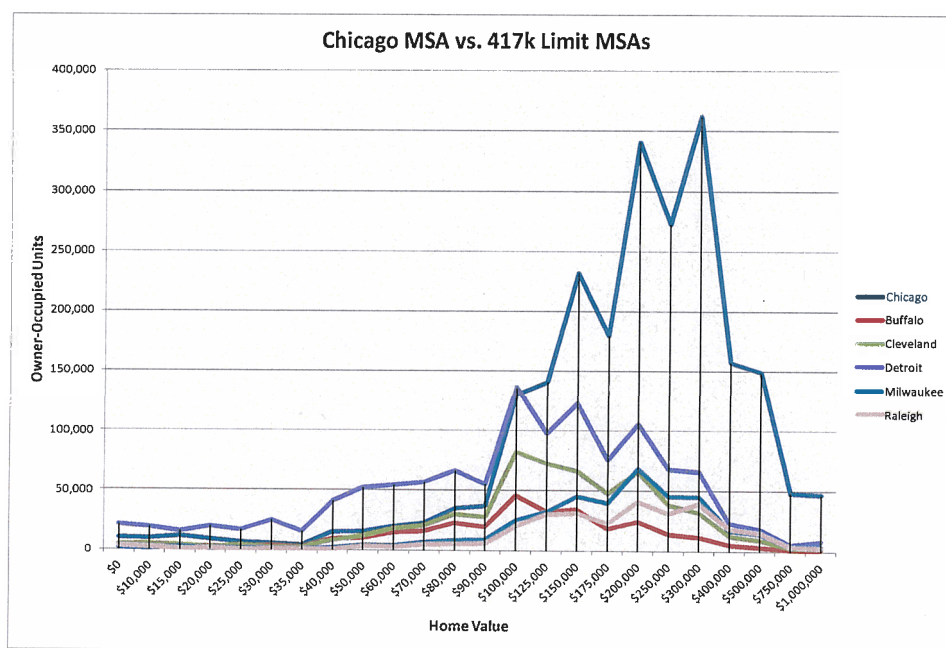
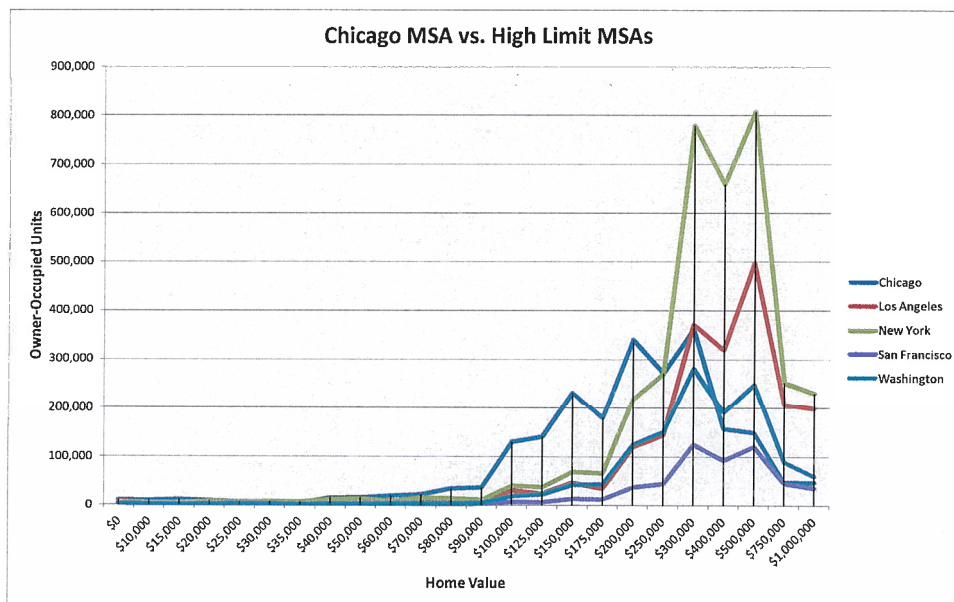
We write to request that you use your leadership and authority to address an ongoing regulatory issue that has plagued the metropolitan Chicago housing market since FHFA's creation in 2008. Chicago's housing market is vital to the recovery of the national housing market and the recovery of the national economy on the whole. In a recent FHFA Request for Input, the Chicago metropolitan statistical area (MSA) ranked third in total housing acquisitions in 2012. The Chicago housing market has underperformed as of late, in part, because of the lack of parity between the Chicago MSA and other similar metropolitan areas.

Specifically, we urge you to raise the conforming loan limit for the Chicago MSA and to place the Chicago limit in line with other similar high-cost housing markets. Due to a flaw in a "one-size-fits-all" formula used to determine loan limits, Chicago's loan limit has long lagged behind other similar markets, and this disparity has caused a liquidity crisis that has led to slower than average growth for the entire region.

As it stands today, conforming loans in the Chicago metropolitan area are limited to those with origination balances below \$417,000, the baseline FHFA limit. At the same time, similar housing markets such as San Francisco, CA and Washington, DC have conforming loan limits of \$625,000. Despite a large stock of high cost housing, a Chicago homebuyer looking to secure a home loan above \$417,000 is forced to seek a jumbo home loan with higher interest rates and fees. These jumbo loans are harder to acquire, significantly limiting the pool of potential homebuyers. With home sales above this threshold significantly hampered, this anomaly serves as a "broken link" in the chain of Chicago home sales, negatively affecting homes sales below and above the limit.

Conforming loan limits are currently calculated based on MSA median home values. MSAs are composed of many different counties; if one county in a MSA has a high enough median home value, the entire MSA qualifies for a higher loan limit. Many MSAs contain one or two small homogenous, wealthy counties that boost the limit for the entire MSA. Metropolitan Chicago, however, has large, heterogeneous counties like Cook and DuPage and therefore does not qualify. According to the FHFA, 47 metro areas, located in 20 states and the District of

The Chicago housing market looks nothing like the other communities with the base-level loan limit of \$417,000. As illustrated in the charts below, the Chicago market has a significantly larger stock of homes above the \$417,000 threshold than many of the communities with base-level loan limits. The Chicago market most closely resembles that of San Francisco, CA or Washington, DC and should have a corresponding high-dollar loan limit.



Given the similarity of the Chicago market to other high-cost metropolitan housing markets, we ask that FHFA use its discretionary authority to institute a higher loan limit for the Chicago MSA.

Thank you for considering our request. Should you have any further questions, please contact Mike Berman on Congressman Quigley's staff at 202-225-4061 or [mike.berman@mail.house.gov](mailto:mike.berman@mail.house.gov).

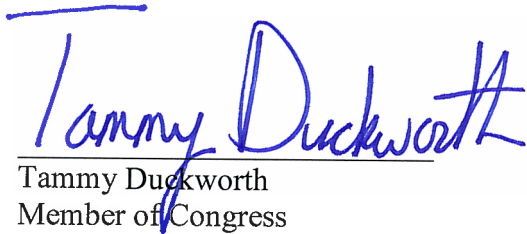
Sincerely,




Mike Quigley  
Member of Congress



Danny K. Davis  
Member of Congress



Tammy Duckworth  
Member of Congress



Bill Foster  
Member of Congress



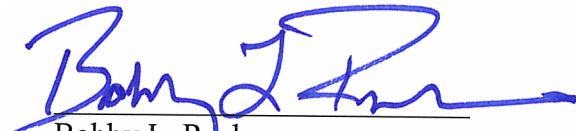
Luis V. Gutiérrez  
Member of Congress



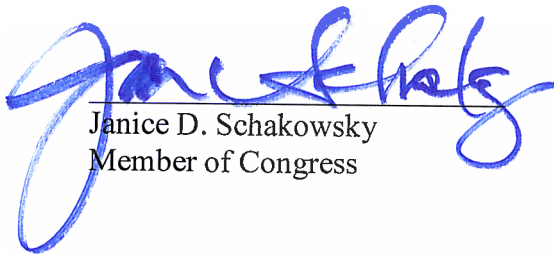
Robin L. Kelly  
Member of Congress



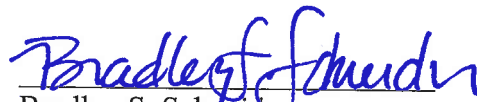
Daniel Lipinski  
Member of Congress



Bobby L. Rush  
Member of Congress



Janice D. Schakowsky  
Member of Congress



Bradley S. Schneider  
Member of Congress