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White Paper

"Rethinking Mortgage Finance: Near-term Ideas for Protecting Taxpayers, Ending the GSE Bailout, Reducing the Government's Footprint, and Returning Private Capital to the Market"

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This white paper is a preliminary draft for public comment based on testimony before the House Financial Services Subcommittee on Capital Markets and Government Sponsored Enterprises.

This will be updated after a review of the Treasury Department's forthcoming recommendations for mortgage finance reform.

It is important, at the outset of this debate, to frame the issue properly: mortgage finance policy and affordable housing policy are two different things. Whether we should or how to subsidize low-income Americans putting a roof over their heads must not cloud the analysis and debate about the consequences of government policy distorting mortgage prices for nearly the entire housing market. Separating mortgage finance from affordable housing is important to shed light on what policy options can best be pursued to prevent another artificially-induced boom and catastrophic bust.

That being said, *now* is the time for major reform of the government's role in the mortgage finance market. The housing boom and bust of the last decade is the main source of our recent economic crisis, lethargic recovery, persistent unemployment, and the massive wave of foreclosures. Yet, the past two Congresses have failed to reform America's housing finance system.

It seems the time is never right to make serious, much needed changes. When the market was going strong, no one in Washington wanted to derail the train. And with the market weak, it's been argued that the government is needed to get housing back on track. This Congress must resist the urge to maintain the status quo.

Significant reform is not only desirable, but also necessary. There can be no sustainable recovery as long as public policy manipulates mortgage prices and directs investment resources toward the housing sector and away from more economically productive areas. And while it may appear that the government is necessary to provide most of the financing needed for mortgages today, the government-sponsored enterprises (GSEs) and Federal Housing Administration (FHA) are crowding out any possible return of private capital in the name of preserving a fragile market.

Ideally, a fully reformed system would have no explicit or implicit government guarantee for mortgage finance—such financial support only subjects taxpayers to high risks and eventual losses. Taxpayers should not be forced to guarantee payments to investors in any asset class, including mortgage-backed securities. If we learned anything from recent housing bust it is this: Federal guarantees lead to credit misallocation, mispricing of risk, unstable price swings, and weakened underwriting standards, all of which contributed to the destabilization of the housing market (see Appendix A).

Allowing market forces to price credit and interest rate risks and no longer shielding institutions from the consequences of poor investment decisions, would avoid these traps and lead to stable and sustainable growth in the housing sector. There must be no explicit guarantee and Congress should ensure that any reform does not simply transfer the implicit guarantee of Fannie Mae and Freddie Mac onto the banking sector.

An effective way to start a robust overhaul would be to place Fannie and Freddie into receivership, and spend three to five years winding down their mortgage business and portfolios. With the phase out of the GSEs, private capital—without

government backing—could begin to move into the mortgage secondary market where it has been crowded out.

Realistically, this will take time to accomplish. And in the near term there is still a need to protect taxpayers from additional, future losses while ending the ongoing bailout of the GSEs. The government's role in housing must be reduced and private capital must be allowed to return. The following are ten ideas that will help achieve these goals.

1. Lower all conforming loan limits for Fannie Mae and Freddie Mac by 20 percent by the end of September 2011.

2. Increase the down payment requirement for mortgages backed by government agencies to 20 percent over the next three years.

3. Instruct FHFA to begin slowly increasing the guarantee fee charged by Fannie Mae and Freddie Mac.

4. End all affordable housing goals.

5. Raise the capital requirement for Fannie Mae and Freddie Mac.

6. Create a legal framework for covered bonds.

7. Cap expansion of Fannie Mae and Freddie Mac's portfolios at a certain date and have the Treasury Department buy their existing combined portfolio to let them run off over time.

8. Put the staffs of Fannie Mae and Freddie Mac on the federal pay scale.

9. Require the Treasury Department to formally approve new debt issuance by Fannie Mae and Freddie Mac.

10. Wipeout the remaining stock of Fannie Mae and Freddie Mac.

These should not be considered ways to fix the GSEs so that we can continue government support of housing finance, but rather interim steps that can help taxpayers and the housing sector while Congress debates how to fully reform the mortgage market. Plus, a key benefit of these ten proposals is that, while they are focused on addressing short-term needs to protect taxpayers, reduce federal bailouts, limit government's role in the housing sector, and for private capital to return to mortgage finance, they also can be the basis for long-term reform.

Ten Ideas for Short-Term Mortgage Finance Reform

1. Lower all conforming loan limits for Fannie Mae and Freddie Mac by 20 percent by the end of September 2011.

The government should not subsidize mortgages, particularly mortgages for the affluent. Congress could start the process of reducing maximum loan amounts eligible for purchase by the housing agencies, but limit it to a one-time decline. Even though the so-called high-cost area limit is set to decline to $625,500 from $729,750 at the end of September, I would propose a uniform, across-the-board reduction of 20 percent in the loan limits for Fannie Mae, Freddie Mac, and FHA.

This is needed in order to reduce the government's role in housing finance and to create room for private lenders to enter the mortgage market as Congress debates how to reform the system as a whole.

The current traditional maximum loan the GSEs are allowed to buy and securitize is $417,000, but this is well above median and average housing values. According to the National Association of Realtors, the median price for existing homes in the U.S. is $168,800 and the average price is $217,900, both not seasonally adjusted. At the same time the median price of new homes is $221,900 and the average price is $271,600. Lowering the traditional conforming loan limit 20 percent would cap GSE loans at $333,600, still above even the average prices.

For those concerned about removing government supports too quickly, this would still leave plenty of room for the GSEs to operate for the time being. In fact the conforming loan limit was $359,650 at the height of the housing bubble in 2005, and the GSEs were still able to support (and manipulate) the mortgage market.[1]

At the same time, this would be a small step towards creating more room for the private sector to engage the mortgage market, and it could be a test case to see how far the jumbo market is able to expand in this economic climate.

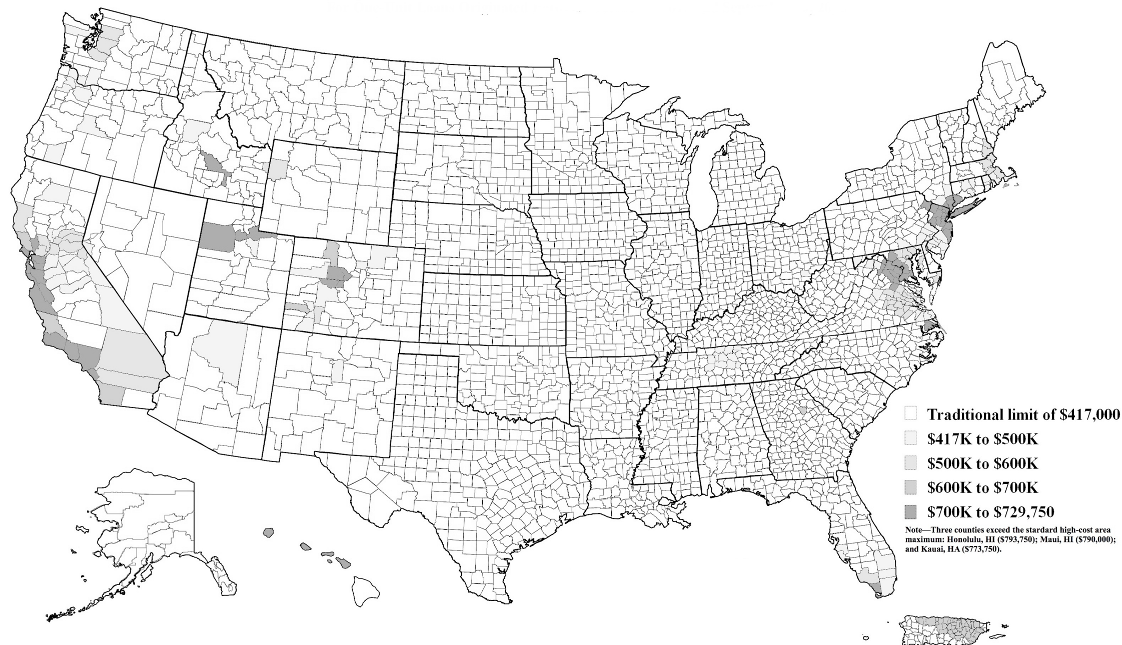
The same reduction should apply to the so-called high cost area maximum. Currently, the high cost conforming loan limit is set to decline to $625,500 from its temporarily ceiling of $729,750 at the end of September 2011. Making the same 20 percent cut to the current level would just reduce the high cost maximum to $583,800. And still this is a very high number, especially if the objective of GSE loan purchases is to assist lower income households.

The high cost areas of the country are located almost exclusively on the coasts, as can be seen in Figure 1. The map on the next page was produced from Federal Housing Finance Agency data detailing the Fannie and Freddie loan limit maximums for fiscal year 2011, broken down by county (see Appendix B for a larger version).[2]

[1] http://www.mortgagebible.org/conformingnon.html

[2] These loan limits are established by FHFA per the requirements of the Economic Stimulus Act of 2008 and Housing and Economic Recovery Act of 2008. They are valid through the end of fiscal year 2011 (September 30, 2011). This map outline was originally used by a Mortgage Bankers Association map to communicate the same information as presented here.

Figure 1: Fannie Mae and Freddie Mac Maximum Loan Limits by County,
For One-Unit Loans Originated Between Oct. 1, 2010 and Sept. 30, 2011



Source: Reason Foundation, Federal Housing Finance Agency

Given that federal guarantees supporting the purchase of loans represents a subsidy, the map shows that, essentially, high cost area mortgage purchases and guarantees are wealth transfers from Middle America to the coasts. While it is true that the relative cost of housing is higher in Los Angeles County and Nantucket County, that does not mean individuals buying homes in those areas need or should receive a subsidy to buy a house (see Appendix C for a list of counties that qualify for the high cost area subsidy). It may even be preferable to eliminate these high cost exemptions completely, but in the near term, a 20 percent reduction would allow more private capital to phase into the mortgage secondary market while avoiding the potential negative effects of shutting down Fannie and Freddie immediately.

A robust overhaul of the mortgage finance system could build on this proposal and phase out the GSEs by reducing the conforming loan limit by 20 percent each year for five years.[3] But while broader housing reform is being discussed, this would be a good way to get private capital flowing again while at the same time reducing the government's footprint in the mortgage market.

2. Increase the down payment requirement for mortgages backed by government agencies to 20 percent over the next three years.

[3]A suggested means of winding down the GSEs over five years would be to reduce the conforming loan limit by 20% per year from the previous year's cap. For the traditional conforming limit of $417K that would wind up with a max of $137K after 5 years; for the high-cost limit of $729K it would drop the limit to $239K over 5 years. That would mean at the end of five years all of the GSE business would be in FHA jurisdiction and could simply be taken over by the HUD agency without any market disruption. Ideally, FHA's limits would be lowered to the same rates, or roughly 80% of the median housing value measured on a local level.

It is universally accepted that weak underwriting standards contributed to and exacerbated the financial crisis. One of the most pervasive problems plaguing homeowners today is the lack of equity in their homes. Contributing to this is the fact that mortgages with very low down payments of just 10 percent or less became commonplace in the bubble period. These underwriting standards were lowered by banks that were ignorant of or defiant of the risks and by the GSEs because of their affordable housing mandate and to compete with the private sector.

While private businesses should still be allowed to lend to whom they want and bear the responsibility of poorly underwritten loans going bad, there is no reason the government should promote risky lending or borrowing. Low down payments amplify cyclical fluctuations in housing markets, both locally and nationally.[4] Plus they set borrowers up to fail and put lenders at risk. And, in this case, the ultimate lending financer is the taxpayer.

I would propose gradually increasing the down payment requirement for mortgages that are bought, securitized by, or guaranteed by Fannie Mae and Freddie Mac to 20 percent by 2014 (or three years from the date of enactment). If private mortgage insurance is also taken out on the loan, then the goal should be that borrowers being supported by the government are putting in at least 10 percent of their own cash.

This would decrease government exposure to risky mortgages and prevent the government from supporting mortgages for those without the resources to become a homeowner. Both those who want to prevent future bailouts and those who are looking to protect consumers from loans that would hurt them in the future should support this idea.

Corollary idea: Prevent Fannie Mae and Freddie Mac from buying or guaranteeing any loan originated outside the yet-to-be-established Qualified Residential Mortgage guidelines.

3. Instruct FHFA to begin slowly increasing the guarantee fee charged by Fannie Mae and Freddie Mac.

One way to decrease the government's exposure to housing market risk would be to begin increasing the guarantee fee (g-fee) charged by Fannie and Freddie for ensuring payment on mortgage-backed securities to investors. This could be done slowly so as to not cause the GSEs to exit the mortgage market overnight. Over time this would increase the cost of doing business with the GSEs and create room for private capital to be more competitive with the government agencies. In the meantime, the GSEs would be collecting more revenue to put back towards the cost

[4] Low down payments mean more individuals capable of buying homes. This means increased demand, which can drive up prices. When the price bubble being amplified on the front-end eventually collapses, the homeowners with very little equity in their homes will quickly find themselves underwater. A resulting wave of defaults and foreclosures would put further downward pressure on housing prices. This is, in part, also the story of the most recent housing boom-and-bust.

of bailing them out and taxpayers would be protected from the risks of bailing out Fannie and Freddie again in the future.

4. End all affordable housing goals.

Again, mortgage finance policy should not be considered the same as affordable housing policy. Over the past several decades these two issues have become confused, as policymakers used GSEs to expand access to mortgage credit and advance the goal of increasing homeownership. But conflating the two policy issues has resulted in failure on both fronts: the mortgage credit market is more than 90 percent dominated by Fannie Mae, Freddie Mac, and the FHA; meanwhile the homeownership rate is lower today than before the housing bubble—68 percent at the end of the 2001 recession, but just 66.6 percent in the fourth quarter of 2010 (see Appendix D).

Here is the good news: eliminating affordable housing goals and removing government supports for mortgage finance does not mean Congress has to end subsides for the poor. While I would argue that we should have no subsidies for mortgages at all, it is possible that aid for low-income families can be pursued in more effective ways that do not distort the entire mortgage market.

It has now become widely accepted that it is not a good idea to push people into homes they cannot afford. If Congress chooses to encourage homeownership for low-income families they should ensure it is sustainable for the homebuyer. Any subsidies provided by the government should be 1) direct to the borrower, 2) on-budget and subject to appropriation, 3) narrowly targeted so as not to compete with the private sector, 4) built on sustainable underwriting standards, and 5) governed by responsible accounting standards.

Using these guidelines we can have a housing market, funded solely by private capital, that has much milder cyclical fluctuations than the past, and at the same time provide narrow, direct subsidies limited to low-income Americans if Congress wants to appropriate the funds as necessary. There need not be any arbitrarily established affordable housing goals.

5. Raise the capital requirement for Fannie Mae and Freddie Mac.

It has been well documented that financial institutions were able to take advantage of a capital arbitrage opportunity created by the Federal Housing Enterprises Financial Safety and Soundness Act of 1992. Single-family mortgages with 4 percent risk-based capital requirements were shifted from banks and thrifts to the GSEs and, with federal backing, only required 1.6 percent risk-based capital. However, Fannie and Freddie themselves were only required to hold 0.45 percent against the mortgages they held or were guaranteeing. This left a gap in the capital being reserved that has still not been corrected. I would propose that the GSE's capital

requirement be raised to 2.4 percent to eliminate the current capital arbitrage opportunity and to protect taxpayers. This would also raise the costs of doing business with Fannie and Freddie and create incentives for more private capital to compete with the GSEs.

6. Create a legal framework for covered bonds.

The mortgage market has changed permanently and the future will require new ways of financing housing. One proposal is to create a legal framework for covered bonds, which are debt securities backed by cash flows from dedicated pool of mortgages. While covered bonds are not a holy grail that will give the housing market eternal life, they may help bring a substantive amount of private capital back to mortgage finance and help the recovery process. Whether or not they will be widely used, investors should be given the option to develop this method of mortgage financing if it is profitable. Chairman Garrett's bill, introduced in the 111th Congress, would do this and could be used as the basis for pursuing legislation in the current Congress.

7. Cap expansion of Fannie Mae and Freddie Mac's portfolios at a certain date and have the Treasury Department buy their existing combined portfolio to let them run off over time.

As Fannie Mae and Freddie Mac will soon need to begin reducing their portfolios per the terms of conservatorship, I would suggest targeting an end date—in the next 24 months—for the GSEs to be allowed to add new mortgages to their portfolios (except for specified, short periods as necessary to support securitization) and have all business activities limited to mortgage securitization. All new single-family mortgages purchased must be securitized and sold. Multi-family mortgages, which are harder to securitize, could be subsidized elsewhere in the government, in a more direct manner, if Congress chooses.

I would also suggest having the Treasury Department buy the combined portfolios—about $1.6 trillion as of third quarter 2010 statements—purchased at par and place them in a separate liquidating pool.

Having the GSE portfolios run down on the government's balance sheet would allow Treasury to take advantage of Uncle Sam's debt funding advantage. Treasury could fund the shrinking portfolio with roughly a 25 basis point lower borrowing rates than the GSEs. The exact savings would depend on how much GSE debt is replaced with Treasury debt. For example, Fannie Mae reported in its third quarter 2010 SEC filing that 39 percent of their short- and long-term debt will mature in the next year, requiring reissuance.[5]

[5] Federal National Mortgage Association quarterly filing, page 74

Overall, this would help protect taxpayers from further losses and would not undermine the ultimate reform of the housing finance system. Also, because Treasury would be adding the assets in the portfolios to its balance sheet as well, this action should not require Congress to raise the debt ceiling. If it were determined this action would add to the national debt, another means of running off the portfolio should be pursued.

8. Put the staffs of Fannie Mae and Freddie Mac on the federal pay scale.

One way to reduce bailout costs and save taxpayers money would be to put the GSE staff on the General Schedule (GS) pay scale like all other government employees. Some have argued the staff and executives at Fannie and Freddie need to earn more to be competitive with the private sector. But for years, the staffs of Ginnie Mae and FHA have been able to operate on the GS pay scale, and employees of Fannie and Freddie—now being paid from taxpayer funds—should be able to do so as well.

Fannie Mae and Freddie Mac are, for all practical purposes, government agencies. They are being used by FHFA and the Treasury Department to support fiscal policy, social policy, and to protect banks. In these capacities their employees should be treated the same as all other federal staff. And, given that Ginnie Mae staff and executives are able to operate on federal pay, there is no reason Fannie and Freddie should not be able to operate at their existing capacity, even if the change to federal pay reduced their compensation from current salaries. The change in compensation policy would not necessarily have to occur immediately. The adoption of the GS pay scale could be phased in over two years. But at the very least, new employees should be subject to government pay levels while the rest are phased in.

9. Require the Treasury Department to formally approve new debt issuance by Fannie Mae and Freddie Mac.

In the charters of Fannie and Freddie, Treasury Department is required to review and approve any new debt issued by the GSEs. This process was scaled back by the Clinton administration and by the middle of the last decade debt issuance approval became a mere formality with the GSEs simply notifying Treasury of their intentions.

I would suggest Congress reestablish this practice of having the Treasury Department formally approve debt issued by the GSEs. Fannie and Freddie should have to sufficiently justify their need for debt issuance and the Secretary of the Treasury should have to personally approve each debt issuance. This would help protect taxpayers by providing more accountability and transparency to the GSEs while their fate is being further considered.

10. Wipe out the remaining stock of Fannie Mae and Freddie Mac.

Had Fannie Mae and Freddie Mac been put in receivership in the first place, their common stock would have been wiped out. Instead, the conservatorship arrangement with the GSEs has preserved hope for some of their common stockholders that the companies may one day be resurrected with a return of value. However, the baseline for any substantive reform of the housing finance system should start with the premise that Fannie Mae and Freddie Mac have already failed and must be shut down. This could most effectively be done through receivership and with a structured wind down of the mortgage business and portfolios of the GSEs as part of at transfer to a fully private system.

As Congress debates how to reform the mortgage finance market, though, there should be no doubt that Fannie and Freddie will one day cease to exist. I would suggest a simple statute wiping out the common and junior preferred stock in both GSEs, bringing the end of bailouts one step closer to reality. Stockholders will object. But this is now taxpayer money. It should be clear that had Fannie Mae and Freddie Mac been treated like private companies going bankrupt, the equity stakes would have lost all of their value long ago.

The Importance of FHA Reform

It is critical that mortgage finance reform be paralleled by FHA reform. Housing finance is more than just Fannie and Freddie. FHA has also crowded out private lending, increased the exposure of taxpayers to significant risks, and encouraged the sort of speculative housing purchases that destabilize housing markets and lead to foreclosures. As previously stated, if Congress chooses to maintain government assistance to low-income individuals, those subsidies should be on the budget with credible accounting measures, should encourage sustainable underwriting standards, and should not take the form of open-ended guarantees. While this paper is focused on near-term changes to Fannie and Freddie, I would encourage any proposed legislation to be coordinated with reforms to FHA.

Conclusion

These 10 ideas should not be considered an adequate fix of Fannie Mae and Freddie Mac or as sufficient to reform the housing market. They are merely a starting point, a first step towards a robust overhaul, and should open the door to further mortgage finance reform discussion, as well as affordable housing discussion.

As I mention in the introduction, these ideas also can be the basis for long-term reform. For example, the GSEs could be completely wound down by reducing the conforming loan limits annually (suggestion 1). Underwriting standards for all mortgages could be made safer and FHA standards tightened as well (suggestion 2). G-fees could be increased incrementally over a three-to-five year time frame until they are so high as to be cost prohibitive for the private sector to do business with the GSEs (suggestion 3).

The remaining seven suggestions, which include a portfolio wind down proposal that would need to be expanded to encompass winding down the MBS and guarantee portfolios, form the basis for the rest of what would be needed to reform the housing finance sector. Other financing innovations, like covered bonds, that are presented to Congress should also have legal frameworks considered to help the flow of private capital to the mortgage secondary market.

Ultimately the goal of housing finance reform should be to allow private investors to replace the government—i.e. taxpayers—as financers in the housing market while ensuring that any subsidies remaining in the system are explicit, direct, narrow, and on-budget. Congress should then continue in earnest to implement such reforms, ensuring that in the future, America's housing market is far closer to a free market.

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Appendix A: Ten Arguments Against Government Guarantees

(Adapted from Rethinking Homeownership Issue Brief #1, published by Reason Foundation. See www.reason.org/news/show/housing-finance-reform)

There are many possible ways to reform the U.S. housing finance system, but any explicit government guarantee for housing, whether by the sale of insurance on mortgage-backed securities or a new public utility model, would be a tragic mistake. It would repeat the errors of history by putting taxpayers and the housing industry itself at risk. Here are ten reasons why:

1. Government guarantees always underprice risk. All federal guarantees underprice risk in order to provide a subsidy for lending. That is their purpose. And taxpayers will be exposed to losses in the future, as those risks materialize.

2. Guarantees eventually create instability. Guarantees failed to prevent the savings-and-loan crisis and subprime crisis. In fact, they contributed to the cause of both by distorting the market.

3. Guarantees inflate housing prices by distorting the allocation of capital investments. The artificially increased capital flow will make mortgages cheaper, boosting demand for housing and pushing up prices, ultimately creating another bubble.

4. Guarantees degrade underwriting standards over time. Historically, a primary justification for guarantees has been to increase the availability of finance to politically important groups with higher credit risks. It is inevitable that this will continue to happen, requiring the government to lower underwriting standards, and resulting in more risky mortgages.

5. Guarantees are not necessary to ensure capitalization of the housing market. As has begun already, the jumbo market will evolve and practically any credit-worthy potential homebuyer will be able to get a mortgage in a fully private system.

6. Guarantees are not necessary for homeownership growth. Other nations have substantially higher homeownership rates in spite of having far less government interference in their housing markets.

7. Guarantees drive mortgage investment in unsafe markets. As long as there is a government guarantee covering financial institutions, investors and lenders will look to the government's credit, not the credit of institutions and loan applicants themselves.

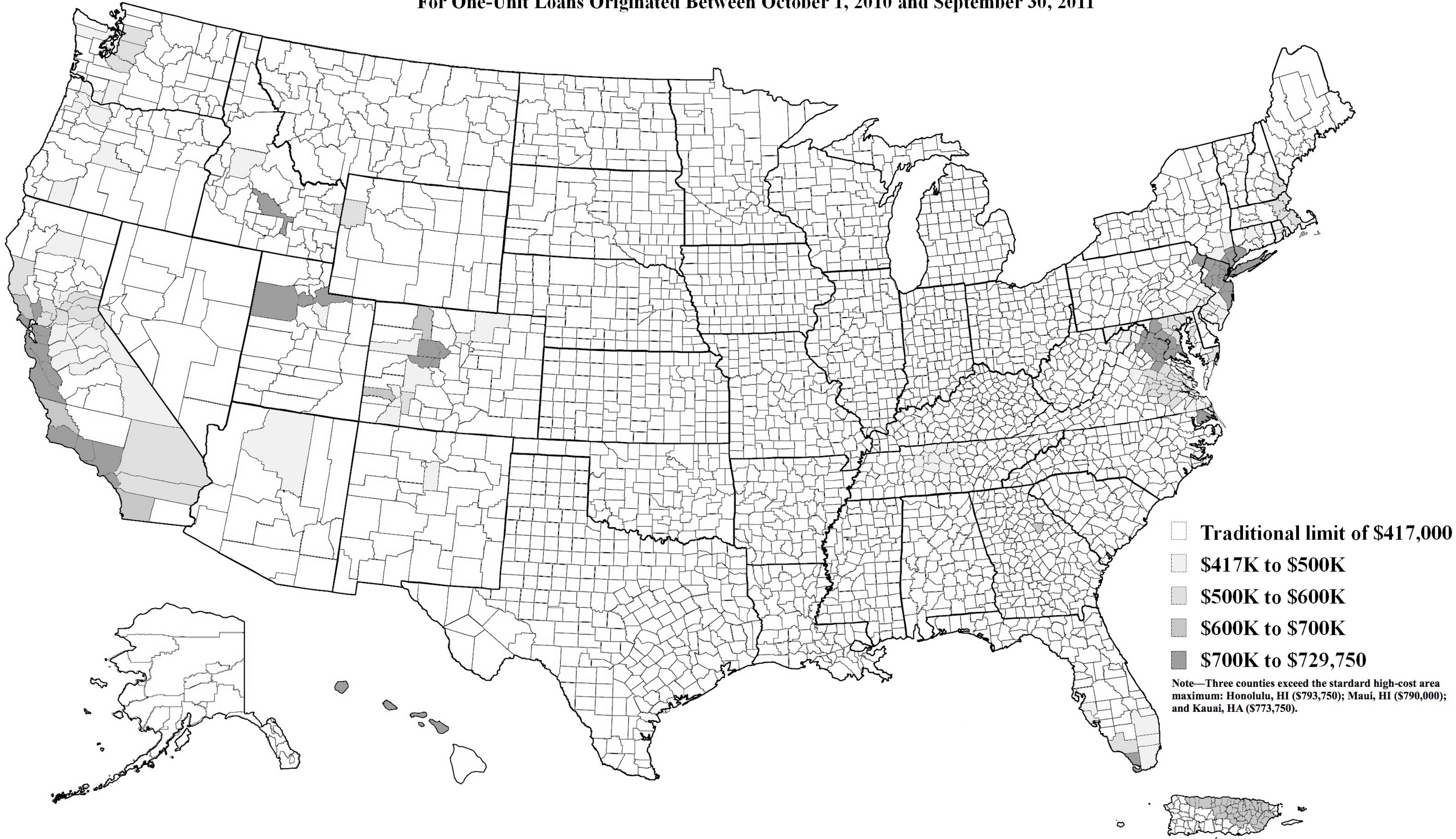
8. Guarantees are not necessary to preserve the "To Be Announced" market for selling mortgage-backed securities. If needed, a TBA market could easily develop with originators hedging against any short-term interest-rate risks in the private sector.

9. Guarantees are not needed to prevent "vicious circles" that drive down prices. Mild price movements in the housing market are necessary to keep balance in the market. Keeping prices artificially high reduces housing demand and prolongs recovery. The most common threat of default as prices decline is from borrowers who have little equity in their homes—because they borrowed at high loan-to-value ratios—seeing the value of their homes drop below what they owe. Guarantees support these high-credit-risk borrowers.

10. Even a limited guarantee on just mortgage-backed securities targeted at protecting against the tail risk will slowly distort credit allocation and investment standards, ultimately destabilizing the market and forcing the need to rely on the guarantee.

Appendix B: Fannie Mae and Freddie Mac Maximum Loan Limits By County

For One-Unit Loans Originated Between October 1, 2010 and September 30, 2011



Appendix C: List of Counties With the Top Fannie Mae and Freddie Mac Maximum Loan Limits (One-Unit Properties, Mortgages Originated in FY2011)
Source: Federal Housing Finance Agency

County Name	State	One-Unit Limit
HONOLULU	HI	$793,750
MAUI	HI	$790,000
KAUAI	HI	$773,750
ALAMEDA	CA	$729,750
CONTRA COSTA	CA	$729,750
LOS ANGELES	CA	$729,750
MARIN	CA	$729,750
MONTEREY	CA	$729,750
NAPA	CA	$729,750
ORANGE	CA	$729,750
SAN BENITO	CA	$729,750
SAN FRANCISCO	CA	$729,750
SAN MATEO	CA	$729,750
SANTA BARBARA	CA	$729,750
SANTA CLARA	CA	$729,750
SANTA CRUZ	CA	$729,750
VENTURA	CA	$729,750
EAGLE	CO	$729,750
LAKE	CO	$729,750
PITKIN	CO	$729,750
SUMMIT	CO	$729,750
DISTRICT OF COLUMBIA	DC	$729,750
MONROE	FL	$729,750
BLAINE	ID	$729,750
CALVERT	MD	$729,750
CHARLES	MD	$729,750
FREDERICK	MD	$729,750
MONTGOMERY	MD	$729,750
PRINCE GEORGE'S	MD	$729,750
DUKES	MA	$729,750
NANTUCKET	MA	$729,750
BERGEN	NJ	$729,750
ESSEX	NJ	$729,750
HUDSON	NJ	$729,750
HUNTERDON	NJ	$729,750
MIDDLESEX	NJ	$729,750
MONMOUTH	NJ	$729,750
MORRIS	NJ	$729,750
OCEAN	NJ	$729,750
PASSAIC	NJ	$729,750
SOMERSET	NJ	$729,750
SUSSEX	NJ	$729,750
UNION	NJ	$729,750
BRONX	NY	$729,750

KINGS	NY	$729,750
NASSAU	NY	$729,750
NEW YORK	NY	$729,750
PUTNAM	NY	$729,750
QUEENS	NY	$729,750
RICHMOND	NY	$729,750
ROCKLAND	NY	$729,750
SUFFOLK	NY	$729,750
WESTCHESTER	NY	$729,750
CAMDEN	NC	$729,750
PASQUOTANK	NC	$729,750
PERQUIMANS	NC	$729,750
PIKE	PA	$729,750
SALT LAKE	UT	$729,750
SUMMIT	UT	$729,750
TOOELE	UT	$729,750
ARLINGTON	VA	$729,750
CLARKE	VA	$729,750
FAIRFAX	VA	$729,750
FAUQUIER	VA	$729,750
LOUDOUN	VA	$729,750
PRINCE WILLIAM	VA	$729,750
SPOTSYLVANIA	VA	$729,750
STAFFORD	VA	$729,750
WARREN	VA	$729,750
ALEXANDRIA	VA	$729,750
FAIRFAX IND	VA	$729,750
FALLS CHURCH	VA	$729,750
FREDERICKSBURG	VA	$729,750
MANASSAS	VA	$729,750
MANASSAS PARK	VA	$729,750
JEFFERSON	WV	$729,750
KALAWAO	HI	$716,250
FAIRFIELD	CT	$708,750
SAN DIEGO	CA	$697,500
TETON	ID	$693,750
TETON	WY	$693,750
SAN LUIS OBISPO	CA	$687,500
ROUTT	CO	$675,000
SONOMA	CA	$662,500
GREENE	GA	$662,500
SAN MIGUEL	CO	$651,250
GUAM	GU	$651,250

Note—All counties within a defined metropolitan area have the same loan limit. For example, all of the counties in Virginia and Maryland that surround Washington, D.C. are counted as having the same loan limit.

Appendix D: Homeownership Rates from 1980 to 2010