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Frank seeks to broaden mortgage program

The Boston Globe

Limit on loans excludes many

By Susan Milligan, Globe Staff | December 4, 2006

WASHINGTON -- Democrats plan to use their new majority status in Congress to expand the mortgage market for tens of thousands of home buyers in Massachusetts and other states where high housing prices are limiting use of federally regulated mortgage programs, according to Capitol Hill lawmakers.

Representative Barney Frank, a Newton Democrat set to become the chairman of the House Financial Services Committee in January, said he will aggressively push legislation to ease current restrictions on the amount of a mortgage that can be held by Fannie Mae and Freddie Mac, two private mortgage companies chartered by the federal government.

Current law sets a limit -- currently at \$417,000 -- on the maximum amount of a housing loan held by Fannie Mae and Freddie Mac. But because home prices in Massachusetts are comparatively high, relatively few buyers can benefit from the programs, housing advocates said.

Frank said he will use his power as chairman to seek a change in the law to correlate the mortgage cap to the price of housing in an area, instead of a flat limit that now applies to all areas of the country.

The current rules "keep them from doing luxury housing in Nebraska," but severely limit opportunities for what would be considered middle-income homebuyers in Massachusetts, Frank said.

Senator Charles E. Schumer, a New York Democrat and a member of the Banking, Housing, and Urban Affairs Committee, will fight to include a similar provision on the Senate side, said Eric Schultz, his spokesman.

The idea never gained steam in the GOP-run Congress -- not because of serious opposition, but because it wasn't a priority for the Republicans, who largely represent states with lower housing costs, said Representative Michael E. Capuano, Democrat of Somerville and a colleague of Frank on the Financial Services Committee. But when the new Congress convenes in January, supporters of the measure expect it

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"That's the difference between being in the majority and being in the minority," Capuano said, estimating that the change would help tens of thousands of buyers in Massachusetts alone.

Fannie Mae and Freddie Mac, the commonly used names for the Federal National Mortgage Association and the Federal Home Mortgage Corporation, are secondary mortgage companies that buy home loans from banks and other lenders. That, in turn, frees up cash to allow primary lenders to provide mortgages to more customers, said Eileen Fitzpatrick, a Freddie Mac spokeswoman.

The number of mortgages the two companies can buy are limited because they are in business to help low- and moderate-income home buyers, she said. Because Massachusetts housing -- especially around Boston -- is so expensive, "there are very few [loans] that would qualify" for Freddie Mac and Fannie Mae's programs, she said. [Continued...](#)

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