



Tuesday, November 30, 2021

Setting the Limit

Summary

Unsurprisingly, [FHFA today raised](#) the GSEs' conforming loan limit to about \$647,000 and the high-cost limit to nearly \$1 million. More surprisingly, FHFA Director Thompson accompanied this politically-sensitive [announcement with a statement](#) that her agency is "actively evaluating the limit and its relationship to affordable housing across the U.S."

Impact

Could Thompson drop the limit? In 2019, then-FHFA Director Calabria told the Senate that his agency [lacks the authority to lower the limit](#), although one of his predecessors, Ed DeMarco, [suggested](#) that he in fact had this authority. The intervening director, Mel Watt, liked the limit as high as it could go and thus never touched the it as it gradually spiraled upward.

Outlook

Although the optics of a million-dollar loan limit are uncomplimentary, the politics of changing them is at best daunting even if Thompson concludes she can. Instead, we expect FHFA to continue its focus on equitable, affordable finance to use the GSEs' capital-constrained balance sheets for affordable housing and lower-price loans to the greatest extent possible. However, Democrats still run the Congressional show and, if Thompson thinks she has the power to lower the limit, she probably could.