



05/05/2008

Mortgage providers to face Rep. Frank

On Monday Representative Barney Frank (D-MA) announced he will hold a hearing to discuss new jumbo loan rules. The hearing is an attempt to determine why jumbo loans still carry high interest rates despite new rules that took effect April 1. Among those to be in attendance are mortgage bankers, brokers, Wall Street financiers and representatives from government-backed Fannie Mae and Freddie Mac.

The announcement came in a speech to the Mortgage Bankers Association. When asked about the new jumbo loan rules Rep. Frank said, "I am disappointed. We fought very hard to raise the loan limits for Fannie and Freddie, and there have been a lot of problems in implementation." He added, "There is a chain of people blaming each other, and we're going to call everybody in there into the hearing and find out why,"

In February President Bush implemented a \$168 billion stimulus package that included allowing Fannie Mae and Freddie Mac to back larger loan amounts through 2008. The increased flexibility was expected to increase investor demand and as a result drive down the overall interest rate. However investors have been reluctant to buy into the loans despite the backing of Fannie Mae and Freddie Mac.

Jumbo loans consistently figure one percentage point higher than conforming loans. The overall goal was to allow citizens to buy or refinance homes in more expensive cities like New York, San Francisco and Los Angeles.

The hearing is set for May 21st.