

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

July 15, 2019

Mr. Hugh Frater  
Chief Executive Officer  
Fannie Mae  
1100 15<sup>th</sup> St. NW  
Washington, DC 20005

Mr. David Brickman  
Chief Executive Officer  
Federal Home Loan Mortgage Corporation  
8200 Jones Branch Drive  
McLean, VA 22102-3110

Dear Mr. Frater and Mr. Brickman:

We write to you concerning Fannie Mae and Freddie Mac’s current policy for condominium financing in our home state of Florida. In light of the longstanding economic recovery Florida has seen, and in particular the state’s improved housing market, we ask you to consider revising the loan-to-value (LTV) ratio maximums for Florida condominium units in the so called “limited review” and “streamline review” processes so they are in line with nationwide condominium lending standards.

As you know, under existing Fannie Mae guidelines, the maximum LTV ratio for Florida condominium units certified under Fannie Mae’s limited review process is 75 percent (B4-2.2-04). Freddie Mac’s streamline review process for Florida condos also requires a maximum LTV ratio of 75 percent. (Sec. 5701.4).<sup>1</sup> Florida is the only state subject to such stringent LTV requirements; every single other state in the country is held to a 90 percent maximum LTV ratio for condominium units certified under the limited or streamline review process. (B4-2.2-01 & 5701.4).

While we recognize that certain sectors of Florida’s housing market have not fully recovered from the 2009 financial crisis, Florida’s market has seen significant improvements that warrant a more favorable LTV requirement: one that encourages a healthy housing market and provides affordable opportunities for responsible buyers. Data from the Federal Housing Finance Agency’s (FHFA) Home Price Index shows that, of the five U.S. metro areas where home values have more than doubled, Cape Coral-Fort Myers and Sarasota-Bradenton both saw increases of 101 percent, and 106 percent respectively.<sup>2</sup> Similarly, Miami’s condo sales jumped 24 percent and condo dollar volume surged 40.8 percent year-over-year since 2015. Miami home sales in April 2018 jumped 12.9 percent while single-family home transactions rose 2.1 percent from the previous year. Reporting by the *Wall Street Journal* found that a jump in Florida home

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<sup>1</sup> Freddy Mac Condominium Unit Mortgages: Condo Requirements. Accessed July 7, 2019. Retrieved from: <https://sf.freddie.mac.com/content/assets/resources/pdf/requirements/condo.pdf>

<sup>2</sup> Federal Housing Finance Agency: 2019 Q1 Home Price Index: 100 Largest Metropolitan Statistical Areas. Retrieved from <https://www.fhfa.gov/DataTools/Downloads/Pages/House-Price-Index-Datasets.aspx#qexx>

purchases by buyers from high-tax states have made the Miami condo market one of its biggest winners.<sup>3</sup>

Despite these notable market improvements, the current LTV guidelines create a challenging buying environment for many Floridians, especially potential first-time home buyers. A 25 percent down payment is cost prohibitive for many first-time, middle-income home buyers, and this has the result of creating a rental shortage and a subsequent oversupply of condominiums in the market place: a factor that your underwriters have alluded to in maintaining the 75 percent LTV standard in Florida. This challenge is particularly felt in South Florida, where condominium units comprise the vast majority of the residential housing supply.

Florida home buyers share the same American dream of homeownership as millions of other home buyers across the country, but for over a decade they have been subject to stricter lending guidelines. Although there may have been a sound financial basis for implementing this policy in 2009, the down payment requirement has not changed, even as the Florida housing market has recovered and, in most cases, returned to normal conditions.

Given the much-improved economic conditions the state has seen, and the negative impact the current LTV requirements have on potential home buyers in Florida, we ask you to undertake a considered review of whether the heightened down payment requirement for Florida continues to be justified.

Thank you for your attention on this matter.

Respectfully,



Donna E. Shalala  
Member of Congress



Matt Gaetz  
Member of Congress

Cc: Mark Calabria, *Director*, Federal Housing Finance Agency

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<sup>3</sup> Laura Kusisto, Arian Campo-Flores and Jimmy Vielkind. "Out-of-State Buyers Flock to Miami", Wall Street Journal. 4 February 2019. Retrieved from <https://www.wsj.com/articles/out-of-state-buyers-flock-to-miami-11549325267>



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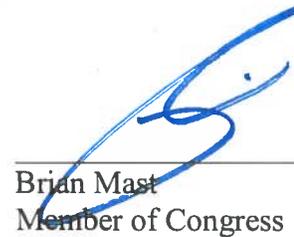
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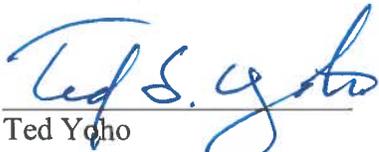
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