

US Tsy Secy Paulson Backs Fannie Loan Limit Hike - Senators

By John Godfrey

Of DOW JONES NEWSWIRES

4 December 2007

Dow Jones International News

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WASHINGTON (Dow Jones)--Treasury Secretary Henry Paulson endorsed an increase in loan limits for Fannie Mae (FNM) and Freddie Mac (FRE) in a meeting Tuesday morning with the Senate Finance Committee, according to senators who attended.

In that meeting, Paulson outlined a five-point legislative package to complement his negotiations with lenders to help address the subprime lending crisis, said committee members Sen. Kent Conrad, D-N.D., and Sen. Charles Schumer, D-N.Y.

Paulson discussed all of the items in the package except for the loan limit increase in a speech Monday at the Office of Thrift Supervision National Housing Forum.

"The Administration is taking action to help homeowners, and Congress must do the same before it leaves for the year," Paulson said in his speech Monday.

The Bush administration has opposed raising the loan limits, but White House and Treasury officials have been under growing pressure to address market turbulence.

Conrad said he "strongly supports all of the elements of the package."

Schumer said the proposal moves in the right direction, particularly considering that "a couple of months ago they were saying no government intervention."

Treasury spokesmen had not yet responded to a request to comment on Paulson's meeting.

Schumer has proposed legislation that would increase loan limits for Fannie and Freddie to as much as \$625,000 from the current limit of \$417,000.

Schumer said Paulson did not mention a specific dollar amount but backed the idea of an increase.

In addition to the loan limit increase, Paulson is backing increased funding to not-for-profit organizations to help with loan counseling, Federal Housing Administration modernization, tax relief for homeowners who rework their mortgage agreements, and an increase in the cap on tax exempt-bond financing to allow states to facilitate mortgage refinancing.

Paulson outlined those proposals in his speech Monday. He reiterated them in his meeting with the Finance Committee Tuesday, Conrad said.

"I think that the depth of the crisis, and how it is rattling the markets, has gotten to them," Schumer said.

With only a few days left in Congress's legislative calendar for the year, such proposals would likely be thrown onto a catch-all "omnibus" bill. Democrats are planning an omnibus to pass the

remainder of the fiscal 2008 budget, but other measures, such as the housing-related provisions, could be attached.

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