



OFFICE OF FEDERAL HOUSING ENTERPRISE OVERSIGHT

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OFFICE OF THE DIRECTOR

Mr. Richard F. Gaylord
2008 President
National Association of Realtors
430 North Michigan Avenue
Chicago, Illinois 60611-4087

February 25, 2008

Dear Mr. Gaylord:

I am pleased to respond to your letter of February 13, 2008 concerning the implementation of higher conforming loan limits as mandated by Congress. I share your concerns regarding the current state of the housing markets. During these troubling times the GSEs have become the dominant funding mechanism for the entire mortgage system. In doing so, the GSEs have been reducing risks in the housing markets, but in the process they have been concentrating mortgage risks on themselves. It is imperative that the Enterprises remain safe and sound to allow them to continue to fulfill their mission.

As I outlined in my recent testimony to the Senate Banking Committee, jumbo loans present new risks to the already challenged GSEs. Therefore it is critical that the increase in the conforming loan limit (CLL) be followed quickly by enactment of comprehensive GSE reform that creates a new stronger regulator for the housing GSEs. I am pleased that the Senate Banking Committee appears to be moving in that direction, and that the National Association of Realtors supports GSE reform legislation..


I understand your concern that the increased loan limits for high cost areas be implemented as quickly as possible. A first step in the process of implementing the new limits is the development by HUD of the area price medians on which the new loan limits will be based. HUD expects to meet the 30-day deadline for determining the medians and the announcement of the new, temporary conforming loan limits will be made at that time. Lenders then will be able to make new loans with confidence about whether they are within the new limits.

OFHEO is working closely with Fannie Mae and Freddie Mac to ensure that the CLL increase is implemented quickly and as safely and soundly as possible. Each Enterprise has its own internal product approval process to ensure that they have adequate controls, systems, limits and risk management over these new products. OFHEO is already working with Fannie Mae and Freddie Mac as they go through their internal

approval process to ensure that the implementation is safe and sound. OFHEO and the Enterprises agree on the importance of completing these processes expeditiously to that the full implementation of the new loan limits can begin quickly.

I was pleased to meet with representatives from the National Association of Realtors last week to discuss these and other issues and I would be happy to meet with you as well. I look forward to working with the NAR to ensure that the new CLL is implemented quickly and in a safe and sound manner.

Sincerely,



James B. Lockhart III
Director