



NATIONAL ASSOCIATION
OF REALTORS®

The Voice for Real Estate®

430 North Michigan Avenue
Chicago, Illinois 60611-4087
312.329.8411 Fax 312.329.5962
Visit us at www.REALTOR.org.

222 St Joseph Avenue
Long Beach, CA 90803
562.439.5303 Fax 562.987.4854
E-mail: dickgaylord@earthlink.net

Richard F. Gaylord, CIPS, CRB, CRS, GRI
President

February 13, 2008

James B. Lockhart III
Director
Office of Federal Housing Enterprise Oversight
1700 G Street, NW
4th Floor
Washington, DC 20552

Dear Mr. Lockhart:

On behalf of the more than 1.3 million members of the National Association of REALTORS®, I am writing to urge the Office of Federal Housing Enterprise Oversight (OFHEO) to permit the prompt implementation of higher conforming loan limits as mandated by Congress. Failure to move quickly to allow Fannie Mae and Freddie Mac to inject capital into mortgage markets which today remain frozen will prolong the nation's mortgage crisis and make recovery in the housing market more difficult.

The national private mortgage backed securities market meltdown has had a dramatic impact on both the cost and availability of mortgages in most local housing markets. Since August 2007, the interest rates for jumbo borrowers have been more than 1 percentage point higher than conforming loans. This costs homeowners \$274 to \$411 every month in higher interest payments that could otherwise be put back into the economy. Congress' action to raise the conforming loan limit is meant to provide immediate relief to borrowers and alleviate downward pressure on already fragile housing markets. According to our research, increasing the GSE loan limit will result in more than 300,000 additional home sales and strengthen current home prices by 2 to 3 percent. The economic impact of the sale of an existing home has typically equaled 30 percent of its value. Thus, each additional home sale of \$417,000 would generate \$127,000 in new economic activity.

According to testimony before the Senate Banking, Housing, and Urban Affairs Committee on February 7, 2008, OFHEO believes that the increase in conforming loan limits presents new credit and prepayment risks to the GSEs. OFHEO further asserts that underwriting these loans will then require the GSEs to submit to the new product approval process based on geographic concentration of high risk markets associated with jumbo purchases; a process which could take up to three months. Mr. Director, three months of delay will be three months too long for American families who need help now for affordable refinances and home purchases.

As described in our letter to you of January 22, 2008, we believe it is erroneous to base projections on the impact of increasing the GSE loan limits on mortgages originated under completely different underwriting standards. Loans purchased or guaranteed above \$417,000 must pass the GSE screens so would not add to the risk of their overall portfolios. This new product delay, and others that could result from operational issues, will harm many markets further. In addition, the methodology for calculating the maximum mortgage amount for FHA loans in high cost areas could also be impacted by delays in the implementation of GSE conforming loan limits. This is contrary to the objective of the stimulus legislation, which is to provide an immediate response to the struggling economy and real estate market.



The importance of immediate implementation of the new limits cannot be overstated. Morgan Stanley has estimated that homeowners could save over \$30 billion in refinancing, permitting up to 280,000 Americans to keep their homes at affordable rates. The injection of capital by Fannie and Freddie into the mortgage markets will assist liquidity at all price levels, not just high cost markets.

When Fannie Mae was created in 1938 as part of the New Deal, Congress and the administration of Franklin Delano Roosevelt understood the importance of facilitating the availability of mortgage credit for stable homeownership and to avert prolonged economic distress. Sixty years later, the boldness and foresight shown by the creators of the government sponsored enterprises remains the best guide to addressing today's mortgage crisis. In that spirit, we urge you to act without delay.

The National Association of REALTORS® will continue to work with OFHEO, Fannie Mae and Freddie Mac on the sound implementation of the increased conforming loan limits. We appreciate the opportunity to present the views of the National Association of REALTORS®. A similar letter, focusing on the implementation of FHA mortgage limits, is being sent to Secretary Alphonso Jackson at the US Department of Housing and Urban Development. If you have any questions or comments regarding this letter please contact our Regulatory Policy Representative, Jeff Lischer at 202.383.1117 or jlischer@REALTORS.org.

Yours Truly,

A handwritten signature in black ink, appearing to read "Dick Gaylord". The signature is written in a cursive style with a large initial "D" and "G".

Dick Gaylord
2008 President, National Association of REALTORS®