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

October 16, 2008

The Honorable Henry M. Paulson  
Secretary of the Treasury  
Department of the Treasury  
1500 Pennsylvania Avenue, NW  
Washington, D.C. 20220

Dear Secretary Paulson:

On behalf of the 1.2 million members of the National Association of Realtors® (NAR), their affiliates, homebuyers, and homeowners I want to call your attention to unintended consequences of the Troubled Asset Relief Program's effects on the mortgage market.

As you have often noted, the housing crisis is at the root of our economic and financial market turmoil. NAR believes it must be addressed with the same zeal as problems on Wall Street and in the financial markets. We have recently noted that spreads between mortgage backed securities (MBS) and Treasury rates have once again increased dramatically. Analysts at Morgan Stanley attribute the growth in spreads to unintended consequences of the initial implementation of the TARP. Investment is flooding away from agency MBS to bank credit products. The reduced demand for MBS is leading to higher interest rates for MBS and therefore higher mortgage interest rates for the public. As you know, higher mortgage rates lead to a reduction in affordability and home sales. Neither is a good harbinger for a housing market recovery.

For these reasons, we urge Treasury and the Federal Housing Finance Agency to more aggressively participate in the MBS market by increasing purchases of agency MBS to help reduce mortgage interest rates. As you noted in your remarks of October 8, mortgage interest rates on 30 year fixed rate loans did drop from over 6.5% to about 5.9% as you initially moved to stabilize the GSEs. However, they have risen right back up to 6.5% or more in one short week. We believe that more active MBS purchases will reduce spreads and therefore reduce mortgage interest rates and help bring more homebuyers into the market, stabilizing prices, reducing inventories, and most importantly, putting our economy back on track to recovery.

The Honorable Henry M. Paulson  
*Department of the Treasury*  
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Thank you for your time and consideration in this matter. If you have any questions or concerns or if I may be of any assistance, please do not hesitate to contact me or our Vice President for Regulatory and Industry Relations, Joe Ventrone at (202) 383-1095 or [jventrone@realtors.org](mailto:jventrone@realtors.org).

Sincerely,

A handwritten signature in black ink, appearing to read "Richard F. Gaylord". The signature is fluid and cursive, with a large initial "R" and "G".

Richard F. Gaylord, CIPS, CRB, CRS, GRI  
2008 President, National Association of REALTORS®

cc:

The Honorable James Lockhart  
Director, Federal Housing Finance Agency