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

October 1, 2008

The Honorable James Lockhart  
Director  
Federal Housing Finance Agency  
1700 G Street, NW  
4th Floor  
Washington, DC 20552

Dear Director Lockhart,

On behalf of the more than 1.2 million members of the National Association of REALTORS® (NAR), I am writing to ask that you reexamine the pricing and fee policies of Fannie Mae and Freddie Mac. As you noted in your September 7 statement, Fannie and Freddie were unable to perform their housing missions at a time when they were most needed because the GSEs were trying to address safety and soundness issues associated with raising capital. Prior to conservatorship, the impact of the GSEs' action had been to sharply curtail liquidity in the mortgage markets. For example, Fannie Mae MBS issuances dropped sharply in July (\$36 b) from June (\$55 b). Fannie Mae's MBS purchases are lower now than any time in the last year. Freddie's decline is comparable. We would ask you to look at a couple of issues which we believe are the causes of these declines.

The GSEs have significantly increased the costs of mortgage capital. They have added new fees, increased existing ones, and established new pricing structures. While underwriting needed to be tightened from policies that were in place in 2005-2007, we are concerned that the pendulum has swung back too far, leaving Fannie and Freddie on the sidelines for many qualified borrowers at a time when they are needed most.

In addition to price increases and the underwriting restrictions, Fannie and Freddie have been raising fees to lenders. Both guaranty fees and Fannie Mae DU fees have been increased. Prior to conservatorship, Fannie and Freddie would conduct negotiations with mortgage originators to set guarantee fees and other benefits. Large financial institutions reportedly received lower fees, while smaller institutions were charged higher fees -- despite the fact that the loan products and risks were precisely the same. Homebuyers could thus be charged a fee



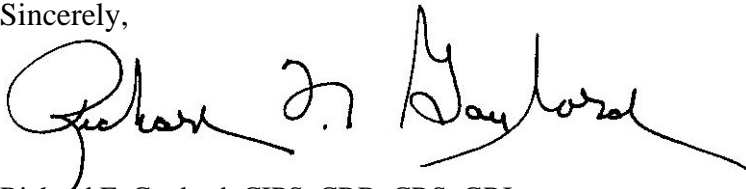
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that might vary significantly for the exact same loan product -- based solely on favored status granted by Fannie and Freddie. On September 7, 2008, Secretary Paulson said, "*the primary mission of these enterprises will now be to proactively work to increase the availability of mortgage finance including by examining the guaranty fee structure with an eye toward mortgage affordability.*" In the spirit of Secretary Paulson's comments, we believe this policy should end.

We believe a more rationalized fee and pricing structure will help in your efforts to reinvigorate both GSEs in their core function of facilitating the provision of affordable mortgage capital to the home-buying public.

Thank you for time and consideration in this matter. If you have any questions, concerns, or if I may be of service to you, please do not hesitate to contact me or our Manager for Conventional Finance and Lending, Jeff Lischer at 202-383-1117 or [jlischer@realtors.org](mailto:jlischer@realtors.org).

Sincerely,

A handwritten signature in black ink that reads "Richard F. Gaylord". The signature is written in a cursive style with a large initial "R" and "G".

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