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**Dale A. Stinton, CAE, CPA, CMA, RCE**  
*Chief Executive Officer*

March 19, 2008

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

Dear Director Lockhart:

On behalf of more than 1.3 million members of the National Association of REALTORS® (NAR), I want to thank you for your decision to ease the capital requirements applicable to Fannie Mae and Freddie Mac in order to increase liquidity in the mortgage markets. The importance of keeping the GSEs financially strong so they can actively promote affordable housing has never been more clear. NAR supports GSE reform legislation, including permanent higher conforming loan limits, to strengthen the regulation of the GSEs and enhance confidence in the nation's housing finance system.

I am particularly pleased that you recognize the importance of increasing the role of the GSEs in connection with jumbo conforming mortgages authorized by the Economic Stimulus Act, the need to make refinancing available for many subprime mortgages, and the importance of encouraging lenders to approve mortgage loan modifications where feasible. There is a significant need for liquidity for each of these purposes.

With respect to implementing the jumbo conforming loan limits, we applaud the cooperation exhibited by OFHEO and the GSEs in reaching prompt agreement on the GSE's requirements for purchasing these newly eligible loans. We were disappointed, I must note, that you and the GSEs believe that additional fees and tighter underwriting are appropriate. Our members believe, and I think most in Congress would agree, that the concept was to simply increase the eligible conforming loan amounts. We will be monitoring the impact of the new requirements carefully over the coming months, to identify problems and delays in providing this important source of liquidity in the many areas of the country that qualify for the new higher limits. I know I can count on OFHEO to do so, as well.

*The Honorable James B. Lockhart III*  
*Office of Federal Housing Enterprise Oversight*  
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NAR's members are also concerned about other policies that we believe should be reexamined by OFHEO and by the GSEs. First, let me acknowledge that we understand that it is not easy to strike the appropriate balance between ensuring that the GSEs carry out their housing finance mission and the need to make sure they remain financially sound. But we are concerned about the impact of the GSEs' declining markets policies that require a five percentage point increase in the down payment if the home is located in a declining market. These policies run the risk of creating a self-fulfilling prophecy by stigmatizing markets, reducing demand, driving down home prices, and hurting communities. The effect can even be to reduce the value of the GSEs' own portfolios. The harm can be especially serious in lower income and minority neighborhoods. The GSEs have recently announced higher fees, which can also have a negative effect on the market at the very time when it is least able to handle it. We urge you to consider these concerns and discuss with the GSEs whether these policies, as implemented, are making things worse.

Finally, I am pleased that you will consider further reductions to the existing capital surcharge. Consistent with your determination of the appropriate level of capital necessary to assure Fannie and Freddie can continue to make their vital contribution to smooth functioning of the mortgage markets, we urge you to act promptly to further adjust their capital requirements.

Sincerely yours,

A handwritten signature in black ink that reads "Dale A. Stinton". The signature is written in a cursive, flowing style.

Dale A. Stinton, CAE, CPA, CMA, RCE  
Chief Executive Officer