



NATIONAL ASSOCIATION OF REALTORS®

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Charles McMillan, CIPS, GRI
President

January 2, 2009

The Honorable James B. Lockhart, III
Director
Federal Housing Finance Agency
1700 G St. NW
Washington, DC 20552

Dear Director Lockhart:

On behalf of 1.2 million members of the National Association of REALTORS® (NAR), I am concerned about the increased fees in Fannie Mae Announcement 08-38, released on December 29, 2008. The higher fee structure imposes major new costs on home buyers and home owners seeking fair and affordable mortgage loans, and NAR questions whether it makes sense, from a policy standpoint, to increase these fees and is concerned about the lack of any explanation of or justification for the action.

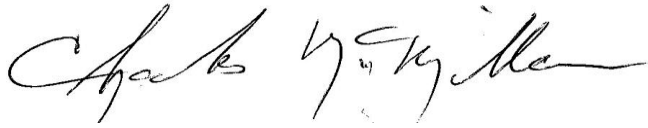
In your prepared statement on September 7, 2008, in connection with announcing the conservatorship, you expressed concern about the negative impact of higher fees being imposed by the government sponsored enterprises, Fannie Mae and Freddie Mac (the GSEs) to raise capital. At the same time, Secretary Paulson stated that the primary mission of the GSEs under the conservatorship would be to increase mortgage affordability. On October 1, 2008, NAR President Dick Gaylord wrote to you asking that you reexamine GSE pricing and fees. With that as background, we were completely surprised that Fannie Mae has decided to raise fees, especially so significantly. If we are interpreting the announcement correctly, a borrower with a credit score of 670 making a 20% downpayment for a condominium would have the fee increased from 150 basis points to 350 basis points—more than double.

A related concern is the complete lack of justification or even explanation for the increases. This was a concern even before the conservatorship, but now that the GSEs are subject to your policy control, we urge that you require them to increase the transparency of their major policy decisions and explain the basis for their actions. For example, what is the need for these fee increases? What alternatives were considered? Is the purpose of increasing fees to shift higher risk borrowers to the FHA mortgage insurance program? What will the impact of such a move be in terms of risk and cost to the government and the taxpayer? Why did Fannie Mae decide to raise fees on borrowers, reducing affordability and counter-acting the positive impact of recent reductions in mortgage interest rates, instead of relying on other sources of liquidity announced by the Treasury Department on September 7 and the Federal Reserve Board on November 25?

I look forward to hearing from you about the reasons for the significant Fannie Mae fee increases, the rationale for imposing the costs on borrowers, and your views about whether the GSEs, at least under the conservatorship, should increase the transparency of their decision-making. In the absence of a

compelling justification, NAR urges you to require Fannie Mae to rescind the fee increases and to direct Freddie Mac not to raise fees.

Sincerely,

A handwritten signature in black ink, appearing to read "Charles McMillan". The signature is fluid and cursive, with the first name "Charles" being the most prominent.

Charles McMillan, CIPS, GRI
2009 President, National Association of REALTORS®

cc:

Mr. Herbert M. Allison, Jr., President and Chief Executive Officer, Fannie Mae
Mr. David M. Moffett, Chief Executive Officer, Freddie Mac