

August 13, 2007

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

Dear Director Lockhart:

Our organizations, representing the industries involved in building, selling and financing of homes, urge you to temporarily increase the caps on the investment portfolios of Fannie Mae and Freddie Mac (the GSEs), with appropriate conditions, to help inject needed liquidity and stability into the mortgage market.

The nation's mortgage markets are facing a liquidity crisis of a force and magnitude not seen in decades. The chill will have far reaching effects throughout the housing market if stability is not restored. A temporary increase in the allowable size of the GSEs' loan portfolios for the purpose of easing this credit crunch would help stem the crisis.

An increase in the portfolio caps should be appropriately targeted to assure that GSEs use the increased capacity to help meet the most urgent credit needs, including the private label MBS market and mortgages for creditworthy families who would otherwise find it difficult or impossible to obtain a mortgage loan. We believe the authority should be consistent with safety and soundness and include appropriate conditions concerning how long this new capacity will be available to the GSEs, the specific size of the increase, the types of assets eligible for purchase, appropriate reporting and monitoring provisions and a reasonable schedule for returning to the current limits to avoid future disruptions to the mortgage market.

This request in no way lessens our commitment to meaningful reform of the regulatory structure of the GSEs. We support GSE reform and we particularly appreciate your efforts and those of Congress to enact GSE reform legislation. Nonetheless, considering the stakes involved for the housing finance system, we do not believe the development of the initiatives suggested above can wait for enactment of legislation. Quick and reasonable action is urgently needed to provide liquidity and stability to the mortgage markets and to serve the financing needs of America's current and aspiring homeowners.

Thank you for considering our request.

**Mortgage Bankers Association
National Association of Home Builders
National Association of Realtors®**

cc: The Honorable Alphonso Jackson
Secretary of Housing and Urban Development