

August 23, 2007

SENT VIA FACSIMILE

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

Dear Director Lockhart:

I have read with interest the August 8th letter to you from the Federal Home Loan Bank of New York opposing any relief from the mortgage caps imposed by your agency on mortgage purchases by Fannie Mae and Freddie Mac.

I have different views than those expressed in that letter.

Although the current crisis in the financial markets began as a subprime mortgage problem, we now face a contagious liquidity situation which affects the mortgage market and, has severely impacted both the debt markets and the equity markets also. Thankfully, the Federal Reserve recognized and responded to the current turmoil in the financial markets.

Freeing Freddie and Fannie to play a stabilizing role in the mortgage markets should be an integral part of a broader federal policy to protect current and prospective homeowners from undue financial stress. Without financial support from federal housing resources, through HUD through an invigorated FHA, Freddie, Fannie (and even the Federal Home Loan Bank System) our nation faces skyrocketing mortgage foreclosures, soaring personal bankruptcies, and as the Secretary of the Treasury has admitted, a substantial reduction in the rate of growth of the national economy.

I concur with the statement that many "unsuitable loans ... have been made to borrowers and ... may need to be modified or recast". I agree that the network of regulated, established community lenders can play a substantial role in helping homeowners facing financial distress. But that alone is not a sufficient public policy response to the crises now facing millions of mortgage borrowers.

To effectively restore stability to the housing and housing finance markets will require all of the public and private resources available that could assist financially troubled homeowners. That includes Freddie and Fannie. The current mortgage limits imposed on them should be relieved so long as the nation is suffering from a depression in the housing market and financial turmoil in the mortgage markets.

Freddie and Fannie should be unshackled to help stabilize the mortgage markets. The political and ideological battles with Freddie and Fannie should be postponed until the housing and housing finance markets have recovered.

Sincerely,

Geoffrey S. Bacino  
Board Member