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Congress of the United States

Washington, DC 20515-3811

October 24, 2007

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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:

Last week, as you know, two of my congressional colleagues introduced much publicized bills in the House and the Senate to temporarily increase the portfolio caps applicable to Fannie Mae and Freddie Mac.

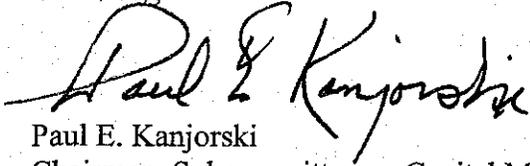
If enacted into law, H.R. 3838 and S. 2169 would specifically require you to increase the mortgage portfolio limitations set forth in the Fannie Mae Consent Decree and the Freddie Mac Letter by not less than 10 percent. These short-term portfolio cap changes would last six months, and the legislation would require Fannie Mae and Freddie Mac to use at least 85 percent of these portfolio increases to refinance mortgages at risk of foreclosure.

As the Chairman of the House Subcommittee on Capital Markets, Insurance, and Government Sponsored Enterprises, I have a deep interest in and responsibility for ensuring that Fannie Mae and Freddie Mac operate safely and soundly. Moreover, as one of the few remaining Members of Congress who worked within the committee of jurisdiction to resolve the savings and loan crisis in the late 1980s and early 1990s, I want to ensure that Congress does not once again enact a promising short-term solution that ultimately produces long-term detrimental consequences for our financial markets.

Because you serve as the prudential regulator for these two important housing enterprises, I write to request your analysis of the potential policy implications of H.R. 3838 and S. 2169 as to whether these bills could either negatively affect the solvency of the two entities or produce unintended consequences in our housing markets. I would also appreciate learning about any additional thoughts that you may have on these matters, consistent with all applicable law and regulation.

In closing, I look forward to learning your observations on these bills as quickly as possible, but no later than the end of October. Please feel free to contact me directly if you should have any questions about this request.

Sincerely,

A handwritten signature in black ink that reads "Paul E. Kanjorski". The signature is written in a cursive, slightly slanted style.

Paul E. Kanjorski  
Chairman, Subcommittee on Capital Markets,  
Insurance and Government Sponsored Enterprises

cc: Chairman Barney Frank  
House Financial Services Committee  
2129 Rayburn House Office Building