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Alfred Pollard
General Counsel
Office of Federal Housing Enterprise Oversight
1700 G Street, NW
Fourth Floor
Washington, DC 20552

Re: Proposed "Guidance on Conforming Loan Limit Calculations"

Dear Mr. Pollard:

Genworth Financial Corporation ("Genworth Financial") is pleased to provide its comments to the Office of Federal Housing Enterprise Oversight's ("OFHEO") proposed "Guidance on Conforming Loan Limit Calculations," Doc. No.: PG-07-0__ (the "Proposed Guidance"). Genworth Financial believes it is appropriate to establish a consistent procedure and transparent methodology to apply housing price declines to conforming loan limits. Such an effort is consistent with safe and sound operation of the housing government sponsored enterprises (the "GSEs"), which is and must be OFHEO's paramount concern.

It is nevertheless appropriate to recognize that limiting the scope of mortgages that the GSEs can securitize is itself a cost and one that should be undertaken only in the case of clear and commensurate increases in safety and soundness. For example, many observers have commented that practices in non-traditional and subprime markets have deviated from the GSE conforming market to the detriment of homebuyers. The comments contained in this letter are offered in the spirit of reconciling the promotion of safe and sound GSE operations with avoidance of unnecessary costs that will be borne, directly and indirectly, by homebuyers.

Genworth Financial believes that OFHEO's deferral of recognition of decline of average housing prices in 2006 in the GSE conforming loan limits was appropriate and that OFHEO should generally maintain this approach going forward. Genworth Financial supports the elements of the Proposed Guidance that provide any increases in the housing price survey data of the Federal Housing Finance Board ("FHFB") are not recognized until previous decreases have been "made up." As described in greater detail below, Genworth Financial believes the proposed guidance would strike a more appropriate balance between promoting the financial safety and soundness of the GSEs without risking placing downward pressure on housing prices in a declining market if the recognition of declines and corresponding decreases in the conforming loan limit were triggered at a level higher than the proposed 1%.

At the same time, Genworth Financial believes that minimal declines in housing prices, even for successive years, post no significant risks to GSE safety and soundness. In addition, declines in the conforming loan limit could put downward pressure on house prices that in turn could increase rather than decrease the safety and soundness risks facing the GSEs. The Proposed Guidance recognizes these principles in substantial measure. As did the 2006 OFHEO guidance, the Proposed Guidance at II.b(1) would defer the impact of a decline in house price levels for one year. This is a prudent means of



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avoiding exacerbation of a decline in housing prices. The Proposed Guidance also follows the 2006 guidance at II.b(2)(B), in requiring that any deferred decrease be subtracted from any subsequent increase until the decline in house prices has been "made up." This is important to keep conforming loan limits from deviating over time from the economic realities of the housing market.

Genworth Financial has concerns about provision II.b(2)(A) of the Proposed Guidance. This provision and the examples accompanying the Proposed Guidance seem to mandate ignoring all price level declines of less than 1% in a single year, but recognition of declines of 1% or more if the price level falls further in the following year. It also requires the aggregation of successive declines, which would then be recognized in a single year when they cumulatively total more than 1%.

Under both scenarios, Genworth Financial believes it would be more appropriate to use a trigger larger than 1%. Implementation of a decline in the conforming loan limit will entail difficulties. Announcement in November of a decline in the loan limit for implementation in January will be problematic for loan commitments in the execution pipeline. Both purchasers of new homes and homeowners refinancing properties may discover that they no longer qualify for a GSE mortgage after expending much time and effort and expecting a successful mortgage closing. This will make the mortgage commitment process less certain and more costly overall.

Given these difficulties and costs, the conforming loan limit should be reset downward only for genuine risks to GSE safety and soundness. The proposed 1% trigger is likely to prove too low to warrant assumption of these burdens, given the small risk that a 1% decline in average home prices would pose to GSE safety and soundness. In addition, recent experience in the subprime housing market suggests that GSE presence in the market can promote sounder underwriting and more appropriate product terms than does GSE absence.

For these reasons, Genworth Financial suggests that OFHEO modify the Proposed Guidance to include a higher trigger for recognition of housing price declines in the conforming loan limit. Given that the FHFB survey data has proven to be more volatile than overall national housing prices, OFHEO might consider a threshold of 3.5% to 5% decrease in the FHFB housing price survey data before recognition of decreases in the GSE conforming loan limit. Genworth Financial appreciates the opportunity to offer its comments to the Proposed Guidance and would be happy to discuss these comments in greater detail.

Sincerely,

Kevin Schneider

President & CEO Mortgage Insurance - U.S.