



July 18, 2007

Mr. Alfred Pollard
General Counsel
Office of Federal Housing Enterprise Oversight
1700 G Street, NW
Washington, DC 20552
ofheoguidancecomments@ofheo.gov

Re: Proposed Guidance on Conforming Loan Limit Calculations

Dear Mr. Pollard:

America's Community Bankers (ACB)¹ appreciates the opportunity to comment on the Office of Federal Housing Enterprise Oversight's (OFHEO) *Proposed Guidance on Conforming Loan Limit Calculations* (the Proposed Guidance). The Proposed Guidance would establish the methodology for determining the maximum size limit for loans that Fannie Mae and Freddie Mac (collectively, the GSEs) may purchase and would establish procedures for addressing declines in levels of home prices.

ACB Position

For many years, ACB has advocated the codification of procedures for adjusting conforming loan limits used by the secondary market GSEs. We believe that such procedures should address increases and decreases in loan limits based on calculations of year-over-year changes to the existing level of home prices derived from Federal Housing Finance Board (FHFB) data.

Therefore, ACB strongly supports OFHEO's Proposed Guidance. We believe that the procedures specified in the Proposed Guidance are needed to eliminate inconsistent application of procedures for price declines. There have been four occasions in the past, including 2006, where the average home price declined from October to October. In the first instance (1989), the GSEs reduced the conforming loan limit from the previous year to reflect the decline in the index. However, in the next two instances (1993 and 1994), the GSEs kept the conforming loan limits at the previous levels despite two declines in average prices. In 2006, the decline of 0.16 percent in average house prices was deferred until the following year's calculation of the limits. Further, the decrease of 0.16 percent was to be deducted from any increase in the average house price in the year ended October 2007 or, if the average price decreased again, the loan limit would decrease by that amount.

¹ America's Community Bankers is the national trade association committed to shaping the future of banking by being the innovative industry leader strengthening the competitive position of community banks. To learn more about ACB, visit www.ACB.us.

ACB supports the Proposed Guidance because it would essentially adopt the 2006 procedures on a going-forward basis and would provide a consistent, uniform methodology for addressing such declines in the future. We believe the proposed framework will also minimize operational challenges to the mortgage and financial markets by: appropriately deferring declines for the later of one year or until they reach at least a cumulative one percent level; and “grandfathering” all loans that were within the conforming loan limit at the time of origination.

Thank you for the opportunity to comment on this important issue. If you have any questions, please contact the undersigned at 202-857-3129 or at jfrank@acbankers.org or Patricia Milon at 202-857-3121 or at pmilon@acbankers.org.

Sincerely,

A handwritten signature in cursive script that reads "Janet Frank". The signature is written in black ink and is positioned below the word "Sincerely,".

Janet L. Frank
Vice President, Mortgage Finance