



Federal Housing Finance Agency

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September 10, 2012

Mr. Mark McDougald
Chairman
Community Mortgage Lenders America
265 Beacon Street
Andover, MA 01810

Dear Mr. McDougald,

Thank you for your letter dated July 27, 2012, in which you share the insight of your members regarding the existing repurchase practices of Fannie Mae and Freddie Mac.

As you know, in February, we issued a Strategic Plan for the Conservatorships of Fannie Mae and Freddie Mac. A key element of that plan includes building new and or enhanced infrastructure to support a liquid and robust secondary mortgage market of the future. FHFA is keenly aware of the impasse around legacy repurchases and recognizes this as an area for improvement going forward. In early 2012, we reached out to several lenders, including small, medium and larger lenders, to understand primary challenges around repurchases. In those meetings we consistently heard that the availability of mortgage credit was constrained because lenders did not have certainty around their repurchase exposure and liability. To address these issues, FHFA worked with the Enterprises to develop a new selling representations and warranties framework with the intent of clarifying lenders' repurchase exposure and liability on future deliveries.

To support the new framework, quality control reviews will be conducted earlier in the process. The Enterprises will establish consistent timelines for lenders to submit requested loan files for review. They will evaluate loans filed on a more comprehensive basis to ensure a focus on identifying significant deficiencies. Additionally, they will make available a more transparent appeals process for lenders to resolve repurchase requests.

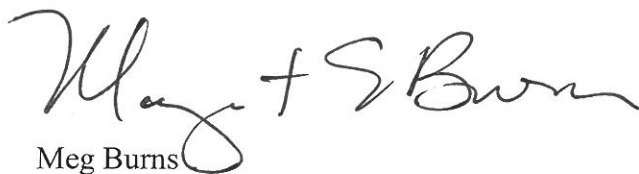
While the new framework includes several enhancements, it continues to rely on lender partners doing their part to ensure quality loans are delivered to the Enterprises. Lenders, as the primary interface with the borrowers, have unique knowledge about the borrower from application through loan delivery. As such, the Enterprises rely on their lender partners to deliver and produce quality loans that meet expressed eligibility standards. To assist lenders and help improve loan quality, the Enterprises, leveraging the new Uniform Loan Level Delivery Dataset and uniform appraisal data, are working to enhance and expand available lender tools.

The new framework addresses several of the points contained in your letter and discussed in the very productive meeting we held over the summer. Your members had one particular suggestion that was not highlighted by other lenders, but that we will certainly consider. Your members would like the GSEs to copy correspondent lenders on the original repurchase demand notification sent to the aggregator. We understand the benefits of this arrangement and are already working to consider the operational and systemic feasibility of implementing this change.

We appreciate your willingness to share your members' experience and insight with us. This week we'll announce the new framework. We will be inviting representatives of CMLA to participate in an industry call immediately following the announcement and would be pleased to schedule a briefing with you and your members at that time.

As always, thank you for the ongoing communications on a variety of housing finance issues. We look forward to continuing to work with CMLA in the future.

Sincerely,

A handwritten signature in black ink, appearing to read "Meg + S Burns". The signature is fluid and cursive, with a large initial "M" and a stylized "B".

Meg Burns
Senior Associate Director
Office of Housing and Regulatory Policy