



OFFICE OF FEDERAL HOUSING ENTERPRISE OVERSIGHT
1700 G STREET, NW, WASHINGTON, DC 20552 (202) 414-3800
Office of Policy Analysis and Research

November 28, 2006

Mr. Daniel H. Mudd
President and Chief Executive Officer
Fannie Mae
3900 Wisconsin Avenue, NW
Washington, DC 20016-2892

Dear Mr. Mudd:

OFHEO's Supervisory Guidance SG-04-001 of February 20, 2004, describes procedures to be applied to computations of future conforming loan limits. OFHEO's announcement of November 15, 2006 described the procedure to be used in determining the limits for 2007 in the event of a decrease in house prices. This letter implements the procedure for calculation of the maximum 2007 loan limits.

As announced by the Federal Housing Finance Board (FHFB) today, the national average one-family house purchase price in October was \$306,258. The October 2006 average price compares with a national average one-family house purchase price of \$306,759 in October 2005. This is a 0.16 percent decrease in house prices in 2006. The house price information is based on the Monthly Interest Rate Survey (MIRS) conducted by the FHFB.

Based on data in the FHFB's house price announcement, the maximum 2007 conforming loan limits will be unchanged from current levels. These limits are as follows:

- one-unit: \$417,000
- two-unit: \$533,850
- three-unit: \$645,300
- four-unit: \$801,950

The loan limits for one-to-four family mortgages in Alaska, Hawaii, Guam and the U.S. Virgin Islands are 50% higher than the numbers above, i.e., \$625,500 for a one-unit single family mortgage; \$800,775 for a two-unit; \$967,950 for a three-unit; and \$1,202,925 for a four-unit mortgage.

The 2007 limit for second mortgages is \$208,500. In Alaska, Guam, Hawaii, and the U.S. Virgin Islands, it is \$312,750.

As indicated in OFHEO's November 15, 2006 announcement, this year's decrease will be netted against any increase next year in determining the 2008 limits. If the decrease in average price this year is followed by another decrease next year, the maximum loan limits will decline in 2008 by at least this year's percentage decrease in average prices. We will continue to work with Fannie Mae and other interested parties to develop further guidance about 2008 limits by early next year.

Sincerely,

Patrick J. Lawler
Associate Director and Chief Economist



OFFICE OF FEDERAL HOUSING ENTERPRISE OVERSIGHT

1700 G STREET, NW, WASHINGTON, DC 20552 (202) 414-3800

Office of Policy Analysis and Research

November 28, 2006

Mr. Richard Syron
Chairman of the Board and
Chief Executive Officer
Freddie Mac
8200 Jones Branch Drive
McLean, VA 22102-3107

Dear Mr. Syron:

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Sincerely,

Patrick J. Lawler

Associate Director and Chief Economist