



March 16, 2005

The Honorable Richard Shelby  
Chairman  
Committee on Banking, Housing and Urban Affairs  
United States Senate  
Washington, DC 20510

Dear Senator Shelby:

On behalf of the 60 independent mortgage banking companies of The National Alliance of Independent Mortgage Bankers (NAIMB), we are writing to express our views regarding proposed legislation to reform regulation of the Government Sponsored Enterprises (GSEs).

The GSEs play an important role in the mortgage finance system. We believe that strong safety and soundness regulation is necessary to ensure the long-term ability of the GSEs to fulfill their market functions. We are in complete agreement with your effort to ensure that the GSE regulator is independent, credible, and armed with the tools to properly monitor the financial stability of Fannie Mae and Freddie Mac.

However, we are troubled by a recent trend toward legislative proposals that go far beyond GSE safety and soundness regulation and represent the potential for excessive government intervention into the mortgage industry. These interventions would especially disadvantage the small businesses that make up the core of the mortgage finance industry. In recent weeks we have seen formal or informal proposals that would:

- give a regulator the authority to make wholesale changes in lenders' business relationships with the GSEs (the so called "bright line"),
- regulate pricing of mortgage loans through guarantee fee regulation,
- establish open-ended government approval processes of new mortgage products and programs,

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The National Alliance of Independent Mortgage Bankers (NAIMB) was founded to promote the value of the community-oriented, small- and medium-sized mortgage lender both to consumers and to the mortgage banking industry. Its mandate is to provide a voice for the independent mortgage lender on regulation, legislation and government activity. NAIMB's 60 members constitute the nation's largest alliance of independent mortgage lenders, representing over 6,000 employees serving every state. NAIMB originates \$40 billion in mortgage loans to make homeownership possible in communities throughout the United States. It was founded by Lenders One, the nation's largest mortgage cooperative and collectively the 9th largest mortgage originator in the country.

- permit the regulator unlimited authority to shrink the amount of capital available to the mortgage market through the GSEs either through direct capital limits, through portfolio caps, or debt restrictions

We are concerned that proposals of this nature open the door to deep intrusion into the mortgage lending business by a government regulator whose mission does not require it to heed the impact of its actions on the mortgage industry. Moreover, the exercise of these very broad powers may have unequal impacts on different segments of the mortgage industry, with some segments favored and others disadvantaged – especially small businesses in the mortgage industry. We don't believe it is the role of the regulator to pick winners and losers in an industry where competition is already vibrant and intense.

In short, we urge the Congress to proceed deliberatively and with due regard for the impact of GSE legislation on the nation's mortgage finance industry. We believe that strong safety and soundness regulation should remain the focus of the legislative effort. The legislative process should not be side tracked by provisions that have little to with safety and soundness but which may have far reaching and unpredictable consequences on the small businesses that make up the heart of America's mortgage lending industry.

Thank you for taking the time to hear our concerns.

Sincerely,

**Scott Stern**  
CEO