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December 19, 2012

The Honorable Joe Gunter
City Council
201 Lincoln Avenue
Salinas, California 93901

Dear Mayor Gunter:

I write in regards to a December 11, 2012 action by the City Council to enter into an agreement with Mortgage Resolution Partners (MRP) to explore solutions to issues associated with foreclosures and underwater homeowners.

I have been closely following issues involving the use of eminent domain to seize mortgage loans, including the plans set forth by MRP. I am concerned that discussions leading up to this action were one-sided, and did not address the impact of these plans on the municipality and mortgage borrowers in the community. Mortgage Resolution Partners may profess that their plans have no cost, but this is incorrect. I would encourage you to have further discussions to better understand the full scope and potential harmful impacts of these programs on your residents.

My organization, the Securities Industry and Financial Markets Association (SIFMA), represents the interests of hundreds of investors and other financial market participants, who may be directly targeted by the proponents of these plans. The investors we represent manage the retirement and other savings of millions of every day working citizens; they invest for municipal pension plans, state employees, teachers, and all other working savers. We believe that these savings should not be diminished so that private sector third parties can profit from schemes to seize the property of others.

We are also significantly concerned that the plans that have been put forth have serious legal defects, will be subject to challenge, and will require expensive and time consuming litigation. In this regard, I have attached a memorandum that was prepared for us by a noted constitutional scholar at the law firm O'Melveny and Myers when the eminent domain issue was first raised in San Bernardino County, California earlier this year.

Finally, we also believe that the execution of these plans to use eminent domain will result in a serious contraction of credit availability, as lenders and secondary market sources of funding react with defensive, very stringent underwriting criteria. This could make it much more difficult for people in your community to obtain new mortgages or to refinance existing mortgages.

I would be pleased to discuss these issues with you at greater length. We believe that there are better approaches to dealing with these problems, and we encourage you to engage in a dialogue with all interested parties, including those who originate and fund mortgage lending, to ensure that the right path is chosen. Please do not hesitate to contact me at 212-313-1389 or tcameron@sifma.org.

Sincerely,

Timothy Cameron, Esq.
Managing Director, Asset Management Group
SIFMA

Attachment