



January 4, 2013

The Honorable Timothy Cruise
Brockton City Council
City Hall
45 School Street
Brockton, MA 02301

Dear President Cruise:

I wanted to follow up on my December 19, 2012 letter to you.

I understand that, on Monday, January 7, the Brockton City Council's Finance Committee will be considering whether to form a working group to study the feasibility of using eminent domain to seize securitized mortgage loans that are underwater or delinquent. I would encourage you to vote no on this resolution.

As you may know, the Federal Housing Finance Agency (FHFA) issued a notice on August 9, 2012 requesting comments on the "Use of Eminent Domain to Restructure Performing Loans." FHFA oversees Fannie Mae and Freddie Mac ("the Enterprises") as well as the Federal Home Loan Banks (Banks). FHFA stated, in part,

"FHFA has significant concerns about the use of eminent domain to revise existing financial contracts and the alteration of the value of Enterprise or Bank securities holdings. In the case of the Enterprises, resulting losses from such a program would represent a cost ultimately borne by taxpayers. At the same time, FHFA has significant concerns with programs that could undermine and have a chilling effect on the extension of credit to borrowers seeking to become homeowners and on investors that support the housing market."

FHFA then went on to identify a long list of questions and concerns surrounding this novel use of eminent domain and encouraged people with views on the subject to submit comments.

I thought you might be interested in the attached joint letter SIFMA and 25 other organizations submitted in response to FHFA's notice. The letter focused on three of the many issues FHFA identified, namely: (1) the impact of eminent domain plans on mortgage lending, mortgage finance markets and mortgage investors; (2) concerns regarding valuation and the profit motivation that underlies these schemes; and (3) legal considerations. Our submission was only one of many letters expressing serious concerns with the use of eminent domain.



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I would respectfully suggest that the Finance Committee may want to wait to see if FHFA reaches any conclusions before undertaking its own study effort. At a minimum, I would encourage you to review the many comments already submitted to FHFA in opposition to the use of eminent domain before voting to undertake your own study. Should you, however, decide a study is necessary, I hope you will look to us as a resource in this area.

I appreciate your time and consideration. Please do not hesitate to contact me at 212-313-1389 or tcameron@sifma.org should you have any comments or questions.

Sincerely,

A handwritten signature in black ink, appearing to read "TC", with a long horizontal flourish extending to the right.

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

Cc: Mayor Linda M. Balzotti
Councilor Jass Stewart

Attachment