

**Statement of Timothy Cameron, Managing Director, Asset Managers Group
Securities Industry and Financial Markets Association**

Thursday, August 16, 2012

**Meeting of the Joint Powers Authority (JPA)
San Bernardino, CA**

Good morning Members of the Joint Powers Authority. My name is Tim Cameron, and I am here on behalf of the Securities Industry and Financial Markets Association. As you may know, SIFMA represents the shared interests of hundreds of securities firms, banks and asset managers. I run SIFMA's Asset Management Group, whose members are responsible for over \$20 trillion of their customers' assets. These customers include pension funds, mutual funds, and 401k plans which represent the retirement and other savings of millions of Americans, including thousands of San Bernardino residents.

When I last addressed this group, I expressed SIFMA's strong objections to any JPA outcome which would involve the use of eminent domain. While we recognize the significant difficulties the County faces in its housing market and economy, we believe that the use of eminent domain would significantly harm mortgage finance markets, reduce access to credit for borrowers, and negatively impact average investors' portfolios. We also believe that the use of eminent domain raises serious legal and constitutional issues that subject the County to substantial liability and would, at a minimum, result in costly and lengthy litigation. In our view, the long-term costs and liability risks of an eminent domain proposal far outweigh any professed short-term benefits to a small group of performing homeowners.

Since the last meeting, we have spent a number of days in the area discussing these issues with some of you and with other local policymakers and interested parties. A few things have become clear to us in this process, and I want to highlight them here.

First, we believe that the JPA must further explore the specific nature of the problem it wishes to solve. The MRP eminent domain proposal targets a few thousand people who have good credit, are current on their mortgage payments, and most importantly, happen to have mortgages that have been sold in the private label securities market. Is this really where the JPA wants to focus its time and attention?

In our view, the JPA should work to address issues in the County more broadly – in a way that would actually provide assistance to borrowers in near-term danger of foreclosure. This should be done in a manner that both provides assistance and protects the interests of all County residents, savers, pension fund participants, retirees, and prospective mortgage borrowers. If the problem that is trying to be solved is the result of depressed property values, the solution should positively impact property values, not exacerbate declines or curtail the willingness of investors to invest in the County's housing and its residents.

Further, the JPA needs to fully appreciate and scrutinize the permanent, negative consequences for the national housing finance system resulting from undermining the concept of secured lending resulting from the exercise of eminent domain in the proposed manner.

We have appreciated the chance to talk with some of you about a number of existing federal, state, and servicer-specific mortgage assistance programs which are already available to all County residents. Some of these programs are fairly new; others have been significantly underutilized. One such program, Cal HFA's Keep Your Home California - which we toured last week, is an impressive operation based in neighboring Riverside with \$2 billion of federal funding to distribute.

While a large number of federal, state, and servicer-specific programs exist, there is substantial room to improve on program awareness and utilization. Lenders and servicers are very active in their outreach efforts to mortgage borrowers. Servicers attempt multiple contacts with troubled borrowers, through direct mail, many phone calls, publicly advertised events, and other means - but response rates are low. Better communication and coordination between local policymakers and industry participants would substantially increase homeowner awareness of and participation in these existing programs. Local officials could be particularly helpful in identifying additional communication avenues and in bringing those homeowners to the table that may be reluctant to respond to industry outreach out of skepticism or fear.

We also believe that the JPA should engage with the industry to better understand the situation on the ground in San Bernardino, what has been tried, and where opportunities for improvement exist. For example, you may be interested to know that loan modification rates in San Bernardino far exceed national averages and even averages across California. SIFMA would be pleased to participate in this discussion.

SIFMA looks forward to reviewing the RFP once it becomes available. We strongly encourage that this process be completely transparent and open to the public. We encourage you to immediately post all proposals in their entirety on the County's website so that the public can comment on each proposal's merits or lack thereof. Given the stakes, both the public and all other interested parties deserve nothing less.

SIFMA stands ready to assist you in exploring productive solutions to the County's mortgage problem.

Thank you for your consideration.