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To the Special Meeting of the Homeownership Protection Program Joint Powers Authority (JPA)

July 13, 2012

Good morning Members of the Joint Powers Authority, my name is Tim Cameron. Thank you for providing this opportunity for comment. I represent the views of SIFMA, and in particular, those of our Asset Managers Group. SIFMA's members include securities firms, banks, and 30 of the country's largest asset managers, who have approximately $20 trillion under management. This includes significant investments in mortgage backed securities.

It is important to remember that asset managers invest the money of local and federal pension plans, 401k plans, endowments, and individual investors. In other words, they manage the savings of teachers and state employees in California and around the country. When one of these asset managers suffers a loss, it is really borne by those individual investors and savers.

We recognize the significant difficulties San Bernardino faces in its housing market and economy. We understand the urge to "do something", but we strongly object to the JPA's proposed use of eminent domain to take mortgage loans. While the JPA has not yet officially selected a plan, it appears that the plan put forth by Mortgage Resolution Partners (MRP) is the leading candidate. Regardless of which plan is ultimately chosen, eminent domain is not the right mechanism to address these problems. There are better ways to attack these problems.

We urge the JPA and the County to reconsider this entire process, and I will discuss three of our key concerns.

First. The use of eminent domain will do more harm than good. The worst harm will be felt by San Bernardino residents themselves, as they find it harder or impossible to obtain credit.

If performing mortgage loans are taken from their holders, this will cause significant losses to those holders, and cause those who fund mortgage loans to act very cautiously. When loans are taken from securitized pools, the losses will be borne by the pension plans and individual citizens who are invested in the securities. It will not address those borrowers who are delinquent.

We need mortgage investors and lenders to come back to these fragile markets – but this plan will force both groups to avoid them.

Second. The use of eminent domain generally, and the plan put forth by MRP specifically, raise significant legal and Constitutional concerns. The issues are numerous but we do not have time to get in to them here.

In any case, we expect that the JPA and San Bernardino will become entangled in lengthy and expensive litigation with the holders of mortgage loans. San Bernardino residents would likely bear much of the cost of this.

Third. We are disturbed that MRP's proposed plan would questionably delegate much of the authority of the municipality to a private party with a profit motive, and put the County at risk. If San Bernardino were to adopt MRP's plan or another like it, it would position itself as a facilitator of a group of opportunistic investors' unjust, and likely unconstitutional, efforts to extract profits from a different group of investors. It would help performing borrowers but not those in delinquency. This calls in to question the public purpose of the plan.

The plan must be seen for what it is – a redistribution of profits that would leave San Bernardino in a precarious position. The only party that receives unequivocal benefits is MRP. San Bernardino residents lose. MBS investors lose. San Bernardino County's reputation will be tarnished.

San Bernardino should not be associated with this plan, or anything like it.

We urge the JPA and the county to reconsider their proposed use of eminent domain. SIFMA will remain involved as this process moves forward, and would be pleased to provide further feedback.

Thank you.