

March 27, 2015

The Honorable Susan Collins  
Chairman, Senate Subcommittee on  
Transportation, Housing and Urban  
Development, and Related Agencies  
Washington, DC 20515

The Honorable Jack Reed  
Ranking Member, Senate Subcommittee on  
Transportation, Housing and Urban  
Development, and Related Agencies  
Washington, DC 20515

Dear Chairman Collins and Ranking Member Reed,

The undersigned trade associations representing the entire spectrum of participants in the housing finance system are writing today to encourage your support for continuing the prohibition on federal funds being used to facilitate eminent domain seizure of performing mortgage loans. Section 236 of Division K of Public Law 113-235, which provides funding for the U.S. Department of Housing and Urban Development for FY2015, defuses the threat posed by a new eminent domain scheme which could devastate investor confidence in our mortgage markets.

As you may know, numerous communities across the country have considered entering into an agreement with an investment fund that envisions using a municipality's eminent domain power to acquire performing but underwater mortgage loans held by private-label mortgage-backed securities (PLS) and then refinance the loans through programs administered by the Federal Housing Administration (FHA). We believe these actions would severely impact the return of private capital to the mortgage markets, and would therefore undermine any chance of success in transitioning to a new housing finance system as many in Congress desire.

Our organizations are sensitive to the plight faced by many homeowners across America, especially those in communities hardest hit by the housing crisis. Since 2007, the mortgage industry has completed more than six million permanent loan modifications, including more than one million loans through the Treasury Department's Home Affordable Modification Program. Combined with the more than one million short sales, the total number of permanent, foreclosure-avoiding solutions now stands above 7.3 million.

While we support a broad range of programs to assist struggling homeowners and the communities in which they reside, we are firm in our belief that using the power of eminent domain in this manner would harm our nation's housing markets and the very communities it is intended to help. With that, we urge you to maintain the current law prohibiting federal funds for this purpose and keep our views in mind as you craft the FY2016 "THUD" Appropriations measure.

Signed,

American Bankers Association  
American Council of Life Insurers  
American Insurance Association  
American Land Title Association  
Association of Mortgage Investors  
Credit Union National Association  
Financial Services Roundtable  
Housing Policy Council  
Investment Company Institute  
Mortgage Bankers Association

National Association of Federal Credit Unions  
National Association of Home Builders  
National Association of Realtors  
Securities Industry and Financial Markets Association  
Structured Finance Industry Group  
U.S. Chamber of Commerce

cc: Members of the Senate Committee on Appropriations