

From: kathleen <kfanderson99@sbcglobal.net>
Sent: Thursday, August 09, 2012 1:39 PM
To: Eminent Domain OGC
Subject: Use of eminent domain to restructure performing loans

To: Federal Housing Finance Agency
Re: Use of eminent domain to restructure performing loans
The use of eminent domain as a solution to the "underwater" status of one sub-group of homebuyers would be worse than the problem it seeks to remedy.

Why would banks continue to make loans if properties they underwrite could be taken over by eminent domain when prices decline? There is no surer way to guarantee that anyone needing a mortgage to buy a house would be locked out of the market, and that only all-cash sales could proceed.

On a moral level too, it fails. If housing prices had risen, would homeowners have had to share any of their gains? If not, why should they be relieved of their losses? Those with equity and those who paid in full for houses purchased at bloated prices would not see any relief for their very real losses--how is that fair?

Descriptions of "homeowners losing the roofs over their heads" are an exaggeration because they are only being forced to become renters, while some who are currently renters and have saved up deposits will now have the opportunity to purchase a home. Why is it a catastrophe for underwater homeowners to become renters, but not a catastrophe to functionally lock out responsible renters from home ownership, which would result from such an eminent domain plan?

I would support a restructuring of loans to provide an interest rate reduction, but not a reduction of the outstanding principal balance. Those who are "underwater" can choose to continue paying down their loans while remaining in their homes, or not, but should not expect anyone else to take responsibility for their purchase choices.

All investments carry risks, and those making an investment should shoulder the losses as well as the gains. Manipulating the housing market to protect just one class of home purchaser is bad policy, and using government's eminent domain powers to accomplish this would be a gross injustice to everyone else, most especially to potential first-time homebuyers but also to any other homeowner seeking to sell their home, because why would any subsequent loans be made if such a major additional risk is placed upon lenders? If the loans are made, how much would such an eminent domain strategy increase interest rates for future buyers? If loans aren't made, how much would sellers have to reduce their asking prices in order to compete among a much smaller pool of potential purchasers, i.e., those paying all-cash?

Government's great power of eminent domain should never be taken lightly, and must never be exercised in so cavalier a manner. If banks allow foreclosed homes to remain vacant and unkempt, THEN eminent domain would be a reasonable avenue for rehabilitation of blight, but not simply to wipe out "underwater" status of loans. There is no inherent right to remain in a home and wipe out one's financial losses from having chosen to purchase a property for more than it is worth, and the consequences to the housing market that would ensue from using an eminent domain strategy to negate those losses would be severe.

The eminent domain plan as described by such entities as Mortgage Resolution Partners would be an illegitimate use of government's power of eminent domain and would have immense and far-reaching negative consequences, resulting in a massive injustice to all other homeowners and

home purchasers, and must not be allowed to proceed!

Respectfully submitted,

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