



THE FINANCIAL SERVICES ROUNDTABLE  Consumer Mortgage Coalition

June 28, 2012

Via Electronic Delivery

To: The Honorable Josie Gonzales, Chair, San Bernardino County Board of Supervisors
 The Honorable Brad Mitzelfelt, Vice-Chairman, San Bernardino County Board of Supervisors
 The Honorable Janice Rutherford, Supervisor
 The Honorable Neil Derry, Supervisor
 The Honorable Gary Ovitt, Supervisor

From: American Bankers Association
 American Council of Life Insurers
 American Land Title Association
 American Securitization Forum
 Association of Mortgage Investors
 California Bankers Association
 California Land Title Association
 California Mortgage Bankers Association
 Community Mortgage Banking Project
 Consumer Mortgage Coalition
 Inland Valleys Association of REALTORS
 Investment Company Institute
 Mortgage Bankers Association
 National Association of Home Builders
 Residential Servicing Coalition
 Securities Industry and Financial Markets Association
 The Financial Services Roundtable
 The Housing Policy Council of the Financial Services Roundtable

RE: Joint Exercise of Powers Agreement

The eighteen organizations listed above write this letter to express our strong objection to the Joint Powers Agreement (the "Agreement") that contemplates the implementation of a so-called

“Homeownership Protection Plan.” Based on publicly available information on the Agreement, we are very concerned that the good intentions of the Board of Supervisors will instead result in significant harm to the residents the Agreement intends to help.

The Agreement proposes the use of eminent domain to seize mortgage loans from private investors through condemnation, in order to force a restructuring of the mortgage. We believe that the contemplated use of eminent domain raises very serious legal and constitutional issues. It would also be immensely destructive to US mortgage markets by undermining the sanctity of the contractual relationship between a borrower and creditor, and similarly undermining existing securitization transactions. Such an action would likely significantly reduce access to credit for mortgage borrowers in the San Bernardino area and other areas that undertake similar actions.

We expect that credit availability for home purchases and refinancing of all San Bernardino loans would be significantly compromised if this plan would be put into effect. This impact would be borne by those very homeowners and communities that the proponents of this plan claim they are trying to help. If eminent domain were used to seize loans, investors in these loans through mortgage-backed securities or their investment portfolio would suffer immediate losses and likely be reluctant to provide future funding to borrowers in these areas. It is essential to remember that investors in mortgage-backed securities channel the retirement and other savings of everyday citizens through their investment funds. This program may cause loans to be excluded from securitizations, and some portfolio lenders could withdraw from these markets. In other words, this program could actually serve to further depress housing values in the county by restricting the flow of credit to home buyers.

The above represents our initial observations based upon the publicly available information on the proposal. We are aware that additional information is being selectively shared on a non-public basis, which concerns us and limits our ability to comment fully on the program. We recognize the County's intention to assist homeowners who are facing financial difficulties, but inappropriately, and possibly unconstitutionally, using the power of eminent domain to abrogate a contractual agreement between borrower and creditor would have far greater and lasting negative effects on existing and future homeowners.

Please do not hesitate to contact any of our organizations for more information or further discussion.

Thank you.

cc: Mr. Jean-Rene Basle, County Counsel
Mr. Gregory C. Devereaux, Chief Executive Officer, County of San Bernardino