

MEMO# 27397

July 22, 2013

ICI Jointly Submits Letter to Congress Objecting to the Potential Use of Eminent Domain

[27397]

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TO: FIXED-INCOME ADVISORY COMMITTEE No. 17-13

SEC RULES MEMBERS No. 71-13

INVESTMENT ADVISER MEMBERS No. 52-13

CLOSED-END INVESTMENT COMPANY MEMBERS No. 64-13 RE: ICI JOINTLY SUBMITS LETTER
TO CONGRESS OBJECTING TO THE POTENTIAL USE OF EMINENT DOMAIN

On July 22, ICI, along with several other trade associations, submitted a letter to Congress objecting to the potential use of eminent domain by communities across the country. The letter, which is attached, raises concerns about a proposal under which communities would enter into an agreement with a venture capital firm 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 refinancing the loans through programs administered by the Federal Housing Administration ("FHA"). The letter asserts that using the power of eminent domain in this manner would harm the nation's housing markets and the very communities it is intended to help.

Among other things, the letter explains that more than a third of the approximately \$938 billion currently held in PLS is held in pension plans, annuities and other insurance products, and mutual funds. Thus, the PLS losses that would result if these mortgages were taken by eminent domain would be suffered not by large institutions, but by everyday savers and investors who have these investments in their pension and 401(k) plans, their college savings plans and their individual investment portfolios.

The letter supports the approach taken in the housing finance reform "Discussion Draft" released by Chairman Hensarling which would bar both the FHA and the Government Sponsored Enterprises from putting taxpayers behind the refinancing of a mortgage seized by eminent domain. The letter also supports H.R. 2733, the "Defending American Taxpayers From Abusive Government Takings Act of 2013" introduced by Congressman Campbell. The letter urges Congress to send a strong signal to the Department of Housing and Urban Development and the FHA that this unconstitutional and poorly-conceived proposal has no place in our foreclosure mitigation efforts and runs counter to the widely-

supported goal of policymakers to return private capital to the housing finance system.

Sarah A. Bessin
Senior Counsel

[Attachment](#)

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