

**MEMO# 28132**

May 16, 2014

# **ICI Submits Letter to Senate Supporting Elements of Recent Housing Finance Reform Bill**

[28132]

May 16, 2014

TO: CLOSED-END INVESTMENT COMPANY COMMITTEE No. 22-14

FIXED-INCOME ADVISORY COMMITTEE No. 6-14

INVESTMENT ADVISER MEMBERS No. 18-14

SEC RULES MEMBERS No. 18-14

SMALL FUNDS COMMITTEE No. 9-14 RE: ICI SUBMITS LETTER TO SENATE SUPPORTING ELEMENTS OF RECENT HOUSING FINANCE REFORM BILL

On May 15, ICI submitted the attached letter to the chairman and ranking member of the Senate Committee on Banking, Housing, and Urban Affairs, expressing support for certain elements of S. 1217, the Housing Finance Reform and Taxpayer Protection Act of 2014 (the "Senate Bill"). Specifically, the letter commends the Senate Bill for:

- working to protect the interests of existing holders of debt obligations issued or guaranteed by the government-sponsored enterprises (i.e., Fannie Mae and Freddie Mac, the "GSEs") by ensuring that these obligations would be backed by the full faith and credit of the United States throughout the contemplated wind-down of the GSEs; and
- promoting the issuance of standardized mortgage-based securities ("MBS"), backed by mortgage loans that must satisfy certain requirements, as such standardization is critical to ensuring liquidity, transparency, and confidence in the MBS markets.

The letter notes that the Senate Bill did not address potential abuses of eminent domain in the area of mortgage finance. The letter explains that proposals are being considered in certain parts of the country whereby municipalities would use their eminent domain powers to seize underwater mortgage loans and refinance them through federal programs, resulting in losses for the holders of the seized loans. The letter argues that using eminent domain in this way would create considerable legal and financial uncertainty; adversely affect values of MBS; disrupt MBS markets; and ultimately harm the housing markets and the communities that such proposals are ostensibly designed to help, because lenders and investors would be reluctant to provide future funding to the housing markets. For these reasons, the letter urges consideration of an eminent domain amendment that would

prevent such abusive uses of this government power.

Matthew Thornton  
Assistant Counsel

[Attachment](#)

---

Copyright © by the Investment Company Institute. All rights reserved. Information may be abridged and therefore incomplete. Communications from the Institute do not constitute, and should not be considered a substitute for, legal advice.