STREETTMENT

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FHFA Statement on Eminent Domain

“On August 9, 2012, the Federal Housing Finance Agency (FHFA) published a Notice in the Federal Register entitled ‘Use of Eminent Domain to Restructure Performing Loans’ and asked for public input. FHFA has concluded its review and based on its consideration of the law and input received, continues to have serious concerns on the use of eminent domain to restructure existing financial contracts and has determined such use presents a clear threat to the safe and sound operations of Fannie Mae, Freddie Mac and the Federal Home Loan Banks. This use of eminent domain also runs contrary to the goals set forth by Congress for the operation of the conservatorships by FHFA. Therefore, FHFA considers the use of eminent domain in a fashion that restructures loans held by or supporting pools guaranteed or purchased by FHFA regulated entities a matter that may require use of its statutory authorities.

“In response to an eminent domain action to restructure mortgage loans, FHFA may take any of the following steps: initiate legal challenges to any local or state action that sanctions the use of eminent domain to restructure mortgage loan contracts that affect FHFA’s regulated entities; act by order or by regulation to direct the regulated entities to limit, restrict or cease business activities within the jurisdiction of any state or local authority employing eminent domain to restructure mortgage loan contracts; or take such other actions as may be appropriate to respond to market uncertainty or increased costs created by any movement to put in place such programs.”

For a complete analysis of the input received by FHFA and implications of eminent domain for FHFA, please click here.

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The Federal Housing Finance Agency regulates Fannie Mae, Freddie Mac and the 12 Federal Home Loan Banks. These government-sponsored enterprises provide more than $5.5 trillion in funding for the U.S. mortgage markets and financial institutions.