

From: Ernest V. Siracusa, Jr. <siracusaco@vcnet.com>  
Sent: Wednesday, August 08, 2012 4:22 PM  
To: Eminent Domain OGC  
Subject: Use of Eminent Domain to Alter Existing Financial Contracts

To Whom it May Concern:

In my view, backed by 43 years of real estate market research experience, the concept of using eminent domain powers of the Federal Government to alter existing financial contracts between a lender and a borrower in order to restructure performing home loans is utterly tainted, an abuse of government power and totally ludicrous.

The concept is borne of the housing crises which led to a plunge in housing market values in which some homeowners (including some of my own family members) are "under water" in that their existing mortgage balance exceeds the current market value of their home. The idea of "restructuring" the loan to alter the existing contract to better favor the borrower is a blatant attempt to "bail out" the latter at the expense of the lender.

Quite frankly, the housing crises was caused in part by a prior 25 years of credit-based "binge" spending by the American public who spent well beyond their actual financial means and failed to provide any financial cushion in case of times of economic duress. As one who has spent most of his career conducting market surveys of new home tracts I witnessed first hand in the mid-2000's this "binge" spending in the housing market. Some people were "collecting" homes as if it were a hobby. Everybody had become a "true believer" that housing prices would only continue to soar higher and gave little thought to any possible downside to the market.

The fact of the matter is that the purchase of real estate ALWAYS involves risk whether it be timing risk, location risk, economic risk, job risk, health risk, or weather/environmental risk.

Every borrower for a home loan should be aware of and should accept such potential risks before ever signing a loan contract. This is not an area where the Federal Government has any legitimate mission to "bail" some people out when they face hardship by altering an existing binding legal contract between lender and borrower.

Such policy has no place in a free market economy dependent upon the full flow of capital to lubricate the system. Without this capital, the system collapses. Such a policy of after-the-fact contract alteration runs a serious risk of lenders further tightening their lending standards to exclude all but those with the most sterling credit histories or to dry up the pool of lending funds altogether. A lender acting voluntarily to restructure an existing contract is one thing; but, for the Federal Government to force such action through the powers of eminent domain is quite another. Such intervention into private sector contracts was never part of the original intent of eminent domain powers and is not justified now.

Such a policy could also seriously jeopardize future growth in housing markets by turning off potential investors. As a real estate market consultant, I could not in good faith advise ANY potential investor in housing development to enter such an agreement or assume such a project with the threat of future government eminent domain action hanging over it.

I fully agree with the concerns expressed by the directors of the Federal Housing

Fianace Agency, conservator of Fannie Mae and Freddie Mac, regarding the unwarranted use of eminent domain to restructure existing home loans in the private sector.

Respectfully,

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