National Association
of Federal Credit Unions
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September 6, 2012

Office of General Counsel
Federal Housing Finance Agency
400 Seventh Street S.W.
Eighth Floor
Washington, DC 20024

RE: **Use of Eminent Domain to Restructure Performing Loans**

Dear Sir or Madam:

On behalf of the National Association of Federal Credit Unions (NAFCU), the only trade association that exclusively represents federal credit unions (FCUs), I am writing to you regarding the Federal Housing Finance Agency (FHFA) notice in the *Federal Register*, dated August 9, 2012, seeking input of use of eminent domain to restructure performing loans.

In recent months, a small but growing number of local jurisdictions have announced their intention to use the power of eminent domain to restructure existing mortgage loans where the amount owed exceeds the value of the collateral. As indicated in the *Federal Register* notice, the FHFA has a number of significant concerns about these developments, especially as these actions impact the value of securities holdings as well as the potential "chilling effect" on the extension of credit to borrowers.

NAFCU shares the FHFA's concerns and would strongly support appropriate action by the agency, as the conservator of Fannie Mae and Freddie Mac (GSEs), to halt the impact of the eminent domain programs on mortgage lending.

Credit unions are second to none as regards providing sound financial services to their members, to include mortgage lending. Unlike many mortgage lenders, credit unions are owned by their member-borrowers and work very closely with members who are having difficulty meeting their mortgage obligations, including offering various refinancing options and, where appropriate, modifications.

For credit unions to meet their members' mortgage lending needs and demands, equitable access to a healthy and robust secondary market is an absolute necessity. NAFCU is fully aware that for such market to exist, securities investors must be able to depend on reliable underlying contracts. We are very concerned that programs that would use eminent domain to restructure mortgage loans will serve to undermine these investments and ultimately negatively impact credit availability to borrowers. Fundamentally, the use of the vast governmental power of eminent domain to restructure mortgage loans is dangerous and could, especially if the use of such power for this specific purpose spreads, impede the recovery of the housing market.

NAFCU appreciates the opportunity to provide comments. Should you have any questions or would like to discuss these issues further, please contact me at chunt@nafcu.org or Tessema Tefferi, NAFCU's Regulatory Affairs Counsel, ttefferi@nafcu.org or at (703) 842-2268.

Sincerely,

Carrie R. Hunt

Carrie Hunt
General Counsel and VP of Regulatory Affairs