



## FHFA Weighs in on Use of Eminent Domain for Mortgage Reductions

On August 8, the Federal Housing Finance Agency (FHFA) requested public comment on the use of eminent domain authority by municipalities to seize mortgage loans for purposes of offering homeowners a reduced mortgage balance. The County of San Bernardino, California and the City of Chicago, among other municipalities, have expressed interest in eminent domain as a means to reduce the number of residents whose mortgage obligations exceed the current market value of their home.

Under the eminent domain proposal, municipalities would raise funds from investors to provide sufficient resources to condemn individual borrower mortgages. The plan would permit a municipality to condemn any lien secured by real property as long as the holder of the lien is provided just compensation.

Homeowners whose mortgage and other liens have been condemned would then be offered a mortgage loan with a reduced balance, ensuring the owner is in a positive equity position. Municipalities believe reducing the amount of mortgage debt that homeowners carry will stabilize home values, reduce foreclosures, limit community blight, and provide a more stable base of property tax revenue.

In requesting comment on the proposed use of eminent domain to reduce homeowner mortgage balances, FHFA states the agency has “significant concerns with programs that could undermine and have a chilling effect on the extension of credit to borrowers seeking to become homeowners and on investors that support the housing market.” FHFA also reveals that it may direct Fannie Mae, Freddie Mac, and the Federal Home Loan Bank System, which collectively fund more than 60 percent of all mortgages, to “avoid a risk to safe and sound operations and to avoid taxpayer expense.”

To read the FHFA announcement and the *Federal Register* notice requesting public comment, click [here](#).

As part of our ongoing Mortgage Matters program, CAI is working to protect homeowners in community associations and to ensure access to fair and affordable mortgage products for all current and potential community association residents. You can follow our work and share your thoughts at [www.caimortgagematters.org](http://www.caimortgagematters.org). CAI will continue to monitor and participate in shaping changing federal housing policies to ensure the perspective of community associations is heard. This is one of the many benefits of belonging to an organization that works for you on the local, state and federal level.