

Taylor, Mary Ellen

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**From:** Taylor, Mary Ellen  
**Sent:** 10 Aug 2012 13:52:12 -0400  
**To:** Dorfman, Richard  
**Cc:** QSmith@sifma.org; Killian, Chris (b)(6)@sifma.org; DeLeo, Wanda; Naiman, Cheryl A.; Harrington, Joan  
**Subject:** RE: Eminent Domain  
Richard,

We're set for 10 a.m. on Thursday (August 16). We look forward to seeing you and Joseph Cox then. Alfred will join us. I'm copying Joan Harrington and Cheryl Naiman on this note, as they'll make sure that you clear security easily, and Joan or Cheryl will escort you to a conference room.

We look forward to your visit.

Regards,

Mary Ellen

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**From:** Dorfman, Richard [mailto:(b)(6)@sifma.org]  
**Sent:** Friday, August 10, 2012 11:43 AM  
**To:** DeLeo, Wanda  
**Cc:** Taylor, Mary Ellen  
**Subject:** RE: Eminent Domain

Dear Wanda,

Thank you for your responsive note.

Please be assured that I would not stress the immediacy of any issue were it not genuine. Accordingly, the "just compensation" concept and its calculation takes on great urgency because I consider that central to Ed's resolution of the eminent domain controversy, and Ed has set a thirty day response window. Thank you for recognizing this.

I do, of course, look forward to our organizing our discussion with Mary Ellen. I know you would understand when I say that I would like even one day to take-in the beauty of the Georgia pines.

With kind regards,

Richard

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**From:** DeLeo, Wanda [mailto:Wanda.DeLeo@fhfa.gov]  
**Sent:** Friday, August 10, 2012 10:13 AM  
**To:** Dorfman, Richard  
**Cc:** Taylor, Mary Ellen  
**Subject:** RE: Eminent Domain

Good Morning Richard! Hope all is well with you also. We would be happy to spend some time with you next week discussion eminent domain. Mary Ellen is going to take the lead here at FHFA to make this happen. I look forward to seeing you next week.

Wanda..

*Wanda I. DeLeo, PhD, CPA  
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**From:** Dorfman, Richard [mailto:(b)(6)@sifma.org]  
**Sent:** Thursday, August 09, 2012 4:49 PM  
**To:** DeLeo, Wanda  
**Subject:** Eminent Domain

Dear Wanda,

I trust you are well.

Given Ed Demarco's cautionary statement about the use of a "takings" process under eminent domain, and the thirty days he has allowed for public replies, I would like to meet with you urgently to focus on the matter of the related "just compensation" requirement.

My argument on that point is that the compensation must apply not only to the invested asset (each mortgage loan taken from a securitized pool), but to the investment position necessarily created to hold the asset in a safe and sound, risk mitigated, condition. That would include funding and risk-mitigation instruments, likely to be derivatives. Essentially, this is a "but for" type of test, in that "but for the asset," the composite position would not exist. Accordingly, the "taking" of the asset should trigger an additive value calculation inclusive of all elements of the position.

If my contention is correct, the justly compensated cost of such a taking could be much greater than assumed by the promoter.

Another related matter would review the meaning of eminent domain to the FHLBs. I question how the collateral value of pledged RMBS or mortgages could be established, at least without large haircuts, if the RMBS markets become devalued under the threat of eminent domain.

I intend to be in Washington next week. I would be grateful for a meeting with you.

With regards,

Richard

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