



Article published on July 16th 2012 | [Mortgage](#)

A California county top executive recently addressed bondholders like Angelo Gordon & Co. and Alliance Bernstein LP regarding increasing concerns that it is slated to use eminent domain and seize mortgages packaged as securities and help homeowners who owe more on their homes than the actual worth of their properties. A conference call was organized by the Association of Mortgage Investors on June 27th, with the San Bernardino County CEO, who mentioned that nothing has been finalized as yet. It is evident that there is quite a significant problem to be managed, lest the economy suffers further damage. One way of exploring opportunities to deal with the situation is to hear from people like representatives of the securities industry.

18 trade groups send letters to California officials recently, opposing the move, as they believe it would actually harm the economy by bringing down the prices of homes, instead of boosting them. On the other hand, advocates of this theory, led by Mortgage Resolution partners, state that this move would help stabilize the market by reducing the amount of foreclosures. The firm, which was also responsible for introducing this initiative, intends to offer services that include arranging the financing that is required by local governments to purchase the non-delinquent loans before the balances are cut, and then refinancing borrowers into fresh debt. According to asset managers and trade groups, this may be illegal and unfair, and also create bond losses that have an impact on other Americans and curb lending.

However, some experts are of the opinion that while this is certainly a very creative way of restructuring debt, but it is still unclear as to what is actually being accomplished by this move. Another viewpoint that is being put forward is that while this initiative would help some homeowners and benefit the private sponsor at large, the amount of harm that would be caused to responsible citizens, investors and homeowners would be mammoth. It is expected that the plan would affect 3,165 loans with \$1 billion in balances, in the two cities in San Bernardino that are considering its implementation. If the plan is extended to the rest of California, it could cover 214,355 mortgages, or \$87.3 billion in balances.

However, the kind of opposition that the initiative is receiving makes it very unlikely for the same to be brought into action.

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Article Keywords:

Mortgage

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