



STATE OF MINNESOTA

Office of Governor Tim Pawlenty

130 State Capitol ♦ 75 Rev. Dr. Martin Luther King Jr. Boulevard ♦ Saint Paul, MN 55155

May 29, 2008

The Honorable James Metzen
President of the Senate
75 Rev. Dr. Martin Luther King Jr. Blvd.
322 State Capitol Building
Saint Paul, Minnesota 55155

Dear President Metzen:

I have vetoed and am returning Chapter 352, Senate File 3396 the Minnesota Subprime Borrower Relief Act of 2008.

Mortgage foreclosures are a great concern in Minnesota and nationally. I have signed 11 bills this session that were the result of bipartisan legislation to help address and mitigate mortgage foreclosure. These 11 newly enhanced laws require additional notice to homeowners regarding counseling services, require lenders to provide contact information to counselors, provide additional tenant rights and notice, address abandoned properties, increase the cap for homeowner financial assistance, and contain other provisions to address specific foreclosure related issues.

Minnesota also leads the nation in dealing with the mortgage situation with the enactment of laws last year addressing predatory lending, mortgage licensing, and fraud. My Administration has also aggressively pursued additional administrative actions that will help preserve homeownership such as securing a \$4.3 million federal grant for direct foreclosure counseling services, enhanced borrower workshops, and creation of a counselor hotline.

Unfortunately, S.F. 3396 is not an appropriate solution. If Minnesota creates a statutory right for individuals to remain in their homes beyond our already extensive foreclosure laws, mortgage providers will factor this additional business risk into mortgage agreements and Minnesota mortgages will be more expensive. This will negatively impact the credit market in Minnesota by increasing interest rates for Minnesotans who are trying to refinance or purchase a new home. Those most likely to be negatively impacted with higher credit costs

Sen. James Metzen/SF3396

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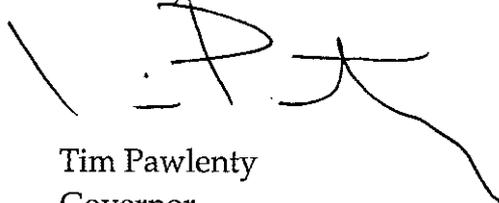
or the inability to access credit will be individuals with challenging credit histories or lower incomes.

The bill also raises significant legal and philosophical concerns. The contract clause of the U.S. Constitution forbids states from enacting legislation that impairs existing contracts. This bill impacts existing mortgage contracts by statutorily changing monthly payment obligations and altering the contracts in other ways. The Due Process and Equal Protection Clauses of the federal Constitution may also be violated by this bill.

No other state in the nation has enacted a bill like S. F. 3396. There is a reason for that – it is not sound policy.

Although this bill may be well-intentioned, it would likely make credit more expensive for the approximately 98 percent of Minnesotans who are not in foreclosure. It is unfortunate this bill did not go through the bipartisan foreclosure study committee as did the 11 other mortgage foreclosure bills. A more rigorous review may have minimized this bill's technical, constitutional problems and policy flaws.

Sincerely,

A handwritten signature in black ink, appearing to read 'Tim Pawlenty', written over a horizontal line.

Tim Pawlenty
Governor

Cc: Senator Lawrence J. Pogemiller, Majority Leader
Senator David Senjem, Minority Leader
Senator Ellen Anderson
Representative Margaret Anderson Kelliher, Speaker of the House
Representative Marty Seifert, Minority Leader
Representative Jim Davnie
Mr. Patrick E. Flahaven, Secretary of the Senate
Mr. Al Mathiowetz, Chief Clerk of the House of Representatives
Mr. Mark Ritchie, Secretary of State