the Network
Supportive Housing Network of NY

April 10, 2009

Robert E. Feldman,
Executive Secretary,
Attention: Comments,
Federal Deposit Insurance Corporation,
550 17th Street, NW.,
Washington, DC 20429

Dear Executive Secretary Feldman,

Thank you for the opportunity to comment on the proposed plan for Public-Private Investment Funds (PPIF). The Supportive Housing Network of New York fully supports the position of the Partnership to Preserve Affordable Housing (PPAH). Any plan to deal with over-leveraged rental properties must do everything possible to protect current tenants from becoming homeless. If these properties are turned over to new owners who are only intent on maximizing profit, and have no concern for the wellbeing of tenants and the surrounding communities, it will serve only to have a further devastating affect on those already hard hit by the current economic crisis.

The Supportive Housing Network of New York is a statewide membership organization representing 184 nonprofit housing developers whose mission is to create supportive homes for individuals and families who would otherwise fall prey to homelessness. We fully endorse the position of the PPAH, as contained in the letter below.

Sincerely,

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Partnership to Preserve Affordable Housing

April 9, 2009

Robert E. Feldman,
Executive Secretary,
Attention: Comments,
Federal Deposit Insurance Corporation,
550 17th Street, NW.,
Washington, DC 20429.

Dear Executive Secretary Feldman,

We are writing in regard to FDIC's request for comments on the proposed plan for Public-Private Investment Funds (PPIFs) and the Legacy Loan Program.

The Partnership to Preserve Affordable Housing (PPAH) is a coalition of six non profit organizations based in New York City: Community Service Society, Legal Aid Society, Pratt Area Community Council, South Brooklyn Legal Services, Tenants & Neighbors, and the Urban Homesteading Assistance Board. Our Partnership works with tenants and tenant associations across New York City in buildings where affordability protections are threatened as a result of market pressures, disinvestment, or other factors. Our grassroots approach at the building level informs our policy advocacy and allows us to address real issues that are having urgent and immediate impacts on low-income communities.

Since 2006, the members of our Partnership have been focusing on a crisis we have named "Predatory Equity," which refers to the overzealous lending and real-estate speculation that exploded in the multi-family residential housing market during the recent real-estate boom. We believe that this dangerous trend has also occurred in other high market cities including San Francisco, Los Angeles, Boston, Chicago, and Washington DC.

In New York City, this problem has become overwhelming; we estimate that as many as *70,000* units of rental housing are at risk of disinvestment and foreclosure due to over-leveraging. The majority of these rental units are occupied by low- and middle-income families who are extremely vulnerable and who do not possess the resources to find adequate housing if this crisis leads to displacement and loss of services.

While we support many of the principals contained in the PPIF, we feel strongly that additional restrictions should be placed on this plan as it relates to assets which serve a greater public good. Specifically, we know that many of the Legacy Assets targeted for acquisition through the PPIF are connected to rental housing occupied by low- and middle-income tenants who have been victims of

“Predatory Equity”. This housing stock, created over decades, is home to many thousands of families, and in many areas represents a sizable portion of the total affordable housing stock.

In light of the social value connected to these assets, and in consideration of the economic vulnerability of the existing residents who occupy this housing, we urge you to create a Multi-Family Preservation Program that will assist with de-leveraging these assets and bring relief to hundreds of thousands of low and moderate income renters across the country. We believe this program should be guided by the following principles:

- Over-leveraged loans must be de-leveraged to a “fair market value.” “Fair market value” indicates that such mortgages be valued utilizing assumptions that insure that the current rental income will be adequate for the proper operation and maintenance of the property, along with reasonable reserve payments and debt service.

- On properties where debt does not meet the “fair market value” test, lenders will be required to perform a physical inspection of the asset in consultation with HUD or a HUD-designated unit of local government. A failed physical inspection will trigger a “regulatory default” and the property should be placed into foreclosure.

- If borrowers are in financial default, lenders should be compelled to seek swift foreclosure actions.

- In the event that a loan modification is negotiated which results in debt forgiveness for an existing borrower or a preservation purchaser, they should be required to enter into a long term use-agreement with HUD, or a HUD designated unit of local government, that ensures the long-term financial health, physical integrity, and affordability of the mortgaged property.

- ***In all cases, final disposition of this targeted housing stock must include protections for renters and use restrictions to ensure the long-term financial and physical health of the properties.***

In an effort to achieve these outcomes, the FDIC may consider creating a special purpose entity to carve out these assets, and resell them pursuant to the principles stated above. This would be similar to the Resolution Trust Corporation used in the clean up the savings and loan problems of the late 1980s.

If you wish to discuss these comments you may contact Dina Levy at UHAB, 212 479-3302, or Tom Waters at the Community Service Society of New York, 212 614-5366, or Patrick Coleman at Tenants & Neighbors, 212 608-4320 x306.

Thank you for your consideration.

Sincerely,

The Partnership to Preserve Affordable Housing