NATIONAL LOW INCOME
HOUSING COALITION

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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,

I am 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 National Low Income Housing Coalition is dedicated solely to achieving socially just public policy that assures people with the lowest incomes in the United States have affordable and decent homes.

NLIHC estimates that 20% of foreclosed properties are rentals and because many of those properties consist of more than one unit, 40% of families affected by foreclosure are renters. The rights of tenants in foreclosed properties vary with state law and in many cases are so limited that the first indication of a problem comes with the eviction notice. These preemptory evictions wreck havoc with lives of those involved, destabilize neighborhoods and often lead to an increase in homelessness.

The Emergency Economic Stabilization Act (EESA) requires that the Treasury Secretary work with federal entities and agencies that hold troubled mortgages, including the FDIC, to allow tenants to remain for the term of their leases. EESA also imposes obligations to protect rental subsidies and ensure the viability of projects when the Secretary restructures a mortgage on a rental property.

The Legacy Loans Program announced by the Department of Treasury and the FDIC will create new public-private investment funds (PPIFs) to purchase loans and other assets from depository institutions. These PPIFs will provide private capital and the federal government will use taxpayer funds to support the activities of these entities. According to the description provided by the FDIC, Treasury will be responsible for overseeing and managing its equity contribution in the PPIFs, the FDIC will be responsible for overseeing and managing its debt guarantees to the PPIFs and the FDIC will staff operations relating to the formation, funding, and operation of PPIFs.

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Given the substantial role that the federal government will play in the financing and operations of these PPIFs, we believe that the terms of the EESA require that assets acquired by PPIFs be managed in a manner that will protect tenants in foreclosed or troubled properties. Specifically, tenants in a property subject to a mortgage acquired by a PPIF should, if foreclosure ultimately occurs, be provided with at least 90-days notice before eviction and should have the right to remain in the property for the remaining terms of their lease. In addition, all federal and state tenant rights and protections must be maintained. If the tenant holds a section 8 housing choice voucher or has any other form of rental assistance, that assistance must be protected.

Finally, restructuring multifamily mortgages must be done in a manner that will ensure their continued financial viability. If the property has benefited from government subsidy and undergoes foreclosure or acquisition by the PPIF, this inventory and the government's investment should be protected. Every effort should be made to convey the property to a mission driven non-profit owner with subsidies in place and long-term affordability commitments attached.

The foreclosure crisis has caused significant damage to our neighborhoods and economy, but the tenants in foreclosed properties are not to blame, they too are victims. While it is critical that the federal government take the steps necessary to move the economy forward and reduce foreclosures, it is not enough to focus on homeowners. Protecting tenants will assist in stabilizing communities and individual lives.

Sincerely,

Sheila Crowley

Sheila Crowley,
President
National Low Income Housing Coalition