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**From:** Jill Hamberg [mailto:jhamberg@igc.org]  
**Sent:** Friday, April 10, 2009 10:13 AM  
**To:** LLPComments  
**Subject:** Legacy Loans Program

To the FDIC:

I support the comments below in the letter from the Partnership to Preserve Affordable Housing. I urge you to create a separate program that will protect renters, and will lead to the preservation of affordable multi-family rental housing.

Best,  
Jill Hamberg  
New York City Tenant and urban planning consultant

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 multifamily

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