



City-Wide Task Force on Housing Court, Inc.

125 Maiden Lane, 3<sup>rd</sup> Floor, New York, NY 10038

Phone: 212.962.4266 Fax: 212.962.4799 Hotline: 212.962.4795

info@CWTFHC.org cwtfhc.org

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,

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 City-Wide Task Force on Housing Court is a nonprofit organization that advocates on behalf of people who are in New York City's Housing Courts and cannot afford attorneys.

Many of what we call "predatory equity" owners in New York City who own over-leveraged properties try to "churn" their tenants by bringing baseless eviction cases in order to drive out low and moderate income tenants. We are concerned that these buildings be preserved as affordable housing, and that existing tenants be permitted to stay in their homes.

The City-Wide Task Force on Housing Court supports the proposal 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. In addition, we support 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.

Sincerely,

Louise Seeley  
Executive Director